

**REPORT ON THE
CENTRAL INTELLIGENCE AGENCY'S
ALLEGED INVOLVEMENT IN
CRACK COCAINE TRAFFICKING
IN THE LOS ANGELES AREA**

**PERMANENT SELECT COMMITTEE ON
INTELLIGENCE**

HOUSE OF REPRESENTATIVES

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INTRODUCTION

On August 18, 1996, the *San Jose Mercury News* published the first of a series of articles, entitled "Dark Alliance: The Story Behind the Crack Explosion" by Gary Webb.¹ The articles were prompted by the trial of a Los Angeles drug dealer, "Freeway" Ricky Ross, and alleged that Central Intelligence Agency (CIA) assets were involved in the distribution of crack cocaine in South Central Los Angeles. Further, they alleged this activity was undertaken to support the CIA-backed Contra movement in Nicaragua.

In September 1996, the Committee began an investigation into the allegations. At the same time, the Director of Central Intelligence (DCI) ordered an investigation by the CIA Inspector General (IG). The IG of the Department of Justice (DOJ) also began an investigation into these allegations as they related to whether the DOJ diligently and properly conducted investigations and prosecutions of individuals named in the *San Jose Mercury News* stories.

The Committee's investigation has involved attendance at "town meetings," review of tens of thousands of pages of CIA documents, and interviews of dozens of individuals who were named in the *Mercury News* series or who would have had knowledge of the alleged activities. The Committee also reviewed previous investigations into the alleged involvement of CIA in drug trafficking in Latin America.

The Committee's investigation focused primarily on those allegations relating to the Committee's oversight of the Intelligence Community. Thus, for example, the investigation focused more on the possible involvement of CIA assets in drug trafficking than on the apparent inequality in the DOJ's pursuit of punishment for Ricky Ross and Oscar Danilo Blandon. That said, the Committee was deeply troubled by the apparent inequity in the treatment of Ross and Blandon by the DOJ. The report addresses this inequity in more detail later.

The Committee investigation was independent of the investigations conducted in the executive branch, although the Committee benefited greatly from the thorough and professional work produced by the offices of the inspectors general. The Committee made a careful review of the methodology of these investigations so that it could assess and challenge the results as necessary. The CIA IG released the first volume of his report, which focused solely on allegations related to the Los Angeles area, in January 1998.² Unclassified and classified versions of this report were delivered to the Committee. Volume II of the CIA IG report was transmitted to the

¹ Gary Webb, *Dark Alliance: The Story Behind the Crack Explosion*, *San Jose Mercury News*, August 18–20, 1996 (hereinafter, "the series"). A full text is available at Appendix A.

² Office of the Inspector General, CIA, *Allegations of Connections between CIA and the Contras in Cocaine Trafficking to the United States (96-0143-IG)*, Volume I: *The California Story*, January 29, 1998 (hereinafter, Volume I).

Committee on April 27, 1998, in a classified form.³ An unclassified version was later released to the public at the Committee's request in October 1998. The DOJ IG report was completed in December 1997.⁴ However, its release was delayed by the Attorney General pursuant to Section 8E of the Inspector General Act, due to concerns related to law enforcement matters being pursued by the DOJ. The report was subsequently released on July 22, 1998. The accuracy of the "Dark Alliance" series has been seriously questioned. Major national newspapers—including the *Los Angeles Times*, *Washington Post*, and *New York Times*—as well as editors⁵ of the *San Jose Mercury News*, who subsequently reassigned Mr. Webb, critically examined the series and concluded that there were instances of material being taken out of context and that the facts did not support the broad implications of the series. Nonetheless, the Committee pursued vigorously the allegations in Mr. Webb's reporting. Accordingly, the Committee used Mr. Webb's newspaper articles and his book, also entitled "*Dark Alliance*,"⁶ as key resources in focusing and refining the investigation.

CONTEXT

The 1980's were one of the most turbulent times in the history of the CIA. The Agency, under President Reagan and DCI William Casey, moved from the high gear it had been in much of the Cold War into overdrive. Around the world, in Eastern Europe, Afghanistan, Africa, Latin America and elsewhere, CIA was engaged in confrontations with the Soviet Union and its surrogates. In order to halt the spread of Communism in Nicaragua, the CIA was authorized to implement a program to support the overthrow of the Sandinista regime, even if it involved the loss of life. This program was one of the most difficult that the CIA would carry out, not only because of the challenges of achieving the goal, but also because it became a highly charged issue in Washington, frequently pitting President Reagan against Congress.

The resistance groups the CIA worked with were numerous and fragmented. They were also poor. Some of the groups, especially in the so-called Southern Front, received support from several Nicaraguans of means who were involved in the drug trade. The drug traffickers were not only supportive of the Contra cause, they sought to facilitate and conceal their illegal activities within the activities of the Contras.

Complicating the situation was the general atmosphere of accusation and innuendo of drug involvement in the region. Because of Nicaragua's key location along major established drug routes and its history of endemic corruption, many in leadership positions—within the resistance groups as well as in the Sandinista government—were rumored to be involved with narcotics trafficking. Fur-

³ Office of the Inspector General, CIA, *Allegations of Connections between CIA and the Contras in Cocaine Trafficking to the United States (96-0143-IG)*, Volume II: *The Contra Story*, October 8, 1998 (hereinafter, Volume II).

⁴ Office of the Inspector General, Department of Justice, *The CIA-Contra-Crack Cocaine Controversy: A Review of the Justice Department's Investigation and Prosecutions*, December 1997 (hereinafter, DOJ IG report).

⁵ See Appendix B for a copy of this editorial.

⁶ Gary Webb, *Dark Alliance: The CIA, the Contras, and the Crack Cocaine Explosion*, Seven Stories Press, New York, 1998 (hereinafter, "Dark Alliance" book).

thermore, there was a "disinformation" war of intentional, false allegations between the Sandinistas and the Contras and even between feuding Contra factions. Resolving rumors, allegations or innuendo was difficult when not outright impossible. Many allegations could never be conclusively dispelled, and, accordingly, their taint became pervasive, even on groups in the U.S. connected to the Contra movement.

The Committee notes that some of the confusion that surrounded the "Dark Alliance" series and subsequent discussions in the press has centered around the use of the terms "asset" and "agent." Some have suspected that the CIA may be hiding behind a semantic distinction between the words so as to obscure relevant facts. The Committee has not found this to be the case, and believes it is useful to clarify this point.

Although the two terms are sometimes used interchangeably, "asset" is a more generic term that includes within its definition individuals who have entered into some sort of clandestine alliance with an intelligence agency without necessarily coming under that agency's control. "Agents" are a subset of "assets" in that an agent is an individual who is to some degree personally responsive to an intelligence agency's direction and can be termed (again, to a varying degree) "controlled."⁷ Neither term would, however, include individuals who had no direct relationship whatsoever with the agency, but who may have participated in an organization whose leaders were agents or assets of the agency. With respect to the Contras, the Committee has found that some were CIA assets, and a smaller number were CIA agents, but the overwhelming majority of Contras were neither assets nor agents.

In the "Dark Alliance" series, however, the extensive use of the term "CIA Army" may lead the reader to conclude that every individual who was part of the Contra organization also had a direct relationship with the CIA. This was not true. Furthermore, in the "Dark Alliance" series, there is an implication that an association of a drug trafficker with a Contra necessarily connects drug trafficking with the CIA. For instance, in the "Dark Alliance" series a photograph⁸ of Nicaraguan Democratic Force (FDN) leader† Aldo Calero, with Norwin Meneses (and others) in the kitchen of an FDN supporter in the United States is presented as evidence that there was an association between the CIA and drug trafficking—Calero being a CIA "asset" as previously defined, and Meneses being a drug trafficker. The Committee found this type of "proof" to be fallacious.

Additionally, it cannot be assumed that if a Contra leader had an association with the CIA, even as an "agent," his every action was dictated, condoned or even known by the CIA. The CIA's association with the Contras was conducted on multiple levels. There was paramilitary activity, where equipment, supplies and training was supplied to the Contra fighting forces. There was also the political level, whereby the Contra leaders were charged with gaining support both for the Contras themselves and for the government that they were to form once the Sandinistas were removed from

⁷The term "agent" is never used within the CIA to refer to a CIA staff employee. Such an employee, who may have as his job the handling of agents, is usually called a "case officer."

⁸See "the series," August 18, 1996 and "Dark Alliance" book, photograph opposite page 228.

power. At times, these multiple levels would create competing priorities. One example of this concerned the issue of Contra leaders' travels to the United States. Such travel aided in garnering political support, but did not necessarily help with the paramilitary aspects of the operation. This was especially true in cases where an entity other than the CIA brought these leaders to the United States. In the Committee's interview of former CIA Latin American Division Chief Duane Clarridge, he noted, "We asked them to come up here, or the Congress asked them to come up here, or the White House asked them to come up here. Most of the time, we didn't want them here anyway. We wanted them down there."⁹

Nevertheless, while the CIA was providing support to the Contras, serious allegations were raised about some individuals who were involved with the Contras or the Contra cause and their connection to drug trafficking. In some cases, the CIA sought to resolve the allegations and, if true, distance itself from these individuals. In other cases, however, CIA officials did not inquire into drug trafficking allegations, nor did they sever ties. As stated by CIA IG, Frederick Hitz, in his testimony before the Committee:

We have found no evidence, in the course of this lengthy investigation, of any conspiracy by CIA or its employees to bring drugs into the United States. However, during the Contra era, CIA worked with a variety of people to support the Contra program. These included CIA assets, pilots who ferried supplies to the Contras, as well as Contra officials and others. Let me be frank about what we are finding. There are instances where CIA did not in an expeditious or consistent fashion cut off relationships with individuals supporting the Contra program who were alleged to have engaged in drug trafficking activity or take action to resolve the allegations. I want to underscore the fact that we are talking about allegations here.¹⁰

Volume II of the CIA IG report discussed such cases in detail. The Committee was disappointed to find such inconsistent attention at the CIA to the issue of drug trafficking during this period. The Committee notes, however, that there were individuals, as discussed in Volume II, involved with the Contras or the CIA, or both, who were apparently wrongfully accused of drug trafficking. Likewise, there was a significant "disinformation" campaign by the Sandinista regime, which itself had drug trafficking connections.¹¹ Furthermore, the Committee notes that the world of drug traffickers is usually one of secrecy, where suppliers and distributors seek to hide and protect their activities. Often, this involves the use of many individuals who are prevented from seeing the entirety of an operation and who operate on the basis of false information. This secret world, in juxtaposition to the secretive world of the CIA's covert action in support of the Contras, made vetting allegations to "prove the negative" difficult. That said, the Committee af-

⁹ HPSCI interview with Duane Clarridge, February 19, 1999, page 11.

¹⁰ HPSCI hearing, CIA Inspector General Report on Allegations of CIA Involvement in Drug Trafficking (hereinafter March 16 hearing), March 16, 1998, page 71. A complete transcript of this hearing is found at Appendix K.

¹¹ Volume II, Appendices C and D.

firms the CIA IG finding that more could have been done by the CIA in the vetting process.¹²

The Committee also has found that drug traffickers have often tried to "play" the U.S. legal system to their advantage. In some cases, these individuals offer to be informants in order to gain leniency. In other cases, they invoke supposed connections to other government organizations in order to slow down the judicial process. The Committee encountered, during this investigation, information concerning the use of the "CIA defense," whereby a suspect claims that he is working for the CIA, should be let go and cannot talk to the police or the district attorney's office. Although the Committee did not find this ploy to have been successful in the cases it examined, it may have had the effect, at times, of raising questions and suspicions among government agencies and local authorities which did not, in the mid-1980's, have as effective channels of communications with the CIA as they do today.

The Committee has tried to develop an objective understanding of the facts as they relate to the allegations in the "Dark Alliance" series. The Committee has no interest in exonerating the CIA or DOJ, nor does it seek to support those who subscribe to the government conspiracy theories implicit in the "Dark Alliance" series. Nevertheless, the Committee anticipates that there are some who will not be convinced by the conclusions found in this report. Many who are interested in these allegations are seeking to explain how various areas of the country have succumbed to the terrible ravages of drug trafficking and addiction, and what forces were at play in the dramatic spread of crack cocaine. Others look at this story as support for their belief that the government is involved in numerous conspiracies—some of which are much broader than that alleged by Gary Webb. Still others reject out of hand the possibility of a government conspiracy that would directly and intentionally harm U.S. citizens.

The allegations of the "Dark Alliance" series warranted an investigation, and this Committee performed its role mindful of the tens of thousands of American lives that have been lost to the scourge of crack cocaine. Based on its investigation, involving numerous interviews, reviews of extensive documentation and a thorough and critical reading of other investigative reports, the Committee has concluded that the implications of the *San Jose Mercury News*—that the CIA was responsible for the crack epidemic in Los Angeles or anywhere else in the United States to further the cause of the Contra War in Central America—were wrong.

Understanding the importance to many Americans of the questions raised in the "Dark Alliance" series, the Committee began preparing this report as an unclassified document from the outset. Although much of its supporting documentation has been publicly released in the declassified CIA and DOJ reports, some of the evidence and documentation is, by necessity, classified and must remain so. This did not prevent the Committee from having access to classified information in the course of its investigation or from utilizing this information in reaching its conclusions.

¹²Id, paragraph 35.

THE ALLEGATIONS

On August 18, 1996, the first of a three-article series was published in the *San Jose Mercury News* entitled "Dark Alliance: The Story Behind the Crack Explosion," by Gary Webb.¹³ Among other things, the series stated that CIA assets were responsible, during the 1980's, for supplying cocaine to South Central Los Angeles. The cocaine operation, according to the articles, was part of the Nicaraguan Democratic Force (FDN), and it was masterminded by CIA assets who were using the sale of this cocaine to finance the Contra movement. The articles stated that these individuals met with "CIA agents both before and during the time they were selling the drugs in L.A."¹⁴ The articles also stated that attempts by law enforcement entities to investigate and prosecute one of the cocaine operation's key figures, Juan Norwin Meneses Cantarero, were "stymied" by "agencies of the U.S. government," and that agents from the DEA, U.S. Customs, the Los Angeles County Sheriff's Department and the California Bureau of Narcotic Enforcement "complained that investigations were hampered by the CIA or unnamed 'national security' interests."¹⁵ Another key figure in the series, Oscar Danilo Blandon Reyes, was said to have "implied" that his cocaine sales were "CIA-approved."

Although the articles did not specifically state that the CIA was directly involved in cocaine trafficking, the series suggested that the CIA condoned the trafficking. In part, this implication was enhanced by extensive references to the CIA. For example, continuous references to the Contras as the "CIA's Army" and listing individuals as "CIA agents" not only implied CIA involvement, but provided a sense of legitimacy to the contents of the reporting. For most Americans, the term "army" is commonly understood to mean a controlled and regimented organization with a strict chain of command whose "officers" follow a specific set of orders from the "top." It also denotes a regimented process where every person within the organization is governed by a strict set of guidelines and orders. The Contra organization in the 1980's did not fit this model. Further, for months the *San Jose Mercury's* internet web page introduced the articles with a title page that presented an individual lighting a crack cocaine pipe superimposed over the official seal of the CIA, clearly demonstrating an intent to link the CIA with cocaine trafficking.

Additional allegations were presented in the series that did not go directly to the scope of this investigation or the jurisdiction of this Committee. Nevertheless, the Committee had strong concerns about, for example, inconsistencies between the treatment of Blandon and his key distributor "Freeway" Ricky Ross, whose drug-related trial provided the catalyst for the story. Thus, the Committee has also addressed this issue within this report.

¹³ "The series." See Appendix A.

¹⁴ From the context in which the term "agent" is used, it is apparently meant to refer to CIA staff employees.

¹⁵ "The series." See Appendix A.

SCOPE OF COMMITTEE INVESTIGATION

In September 1996, the Committee began its investigation, based on its responsibility to perform oversight of the Intelligence Community and the U.S. Government's intelligence and intelligence-related activities. The investigation was also based on requests from several Members of Congress, including the Speaker of the House of Representatives. Letters to the Committee from these individuals can be found in Appendix C.

The scope of the Committee's investigation was the following:

Were any CIA agents or assets involved in the supply or sale of drugs in the Los Angeles area since 1979?

If CIA agents or assets were involved, did the CIA have knowledge of the supply or sales of drugs in the Los Angeles area by anyone associated with the Agency?

Did any other U.S. Intelligence Community agency or employee have knowledge of the supply or sales of drugs in the Los Angeles area between 1979 and 1996?

Were any CIA officers involved in the supply or sales of drugs in the Los Angeles area since 1979?

Did the Nicaraguan Contras receive any financial support through the sales of drugs in the United States during the period when the CIA was supporting the Contraeffort? If so, were any CIA officials aware of this activity?

What is the validity of the allegations in the *San Jose Mercury News* articles?

COMMITTEE ACTIONS

In performing its examination of the allegations and implications raised in the "Dark Alliance" series, the Committee reviewed other relevant investigations and reports; reviewed massive quantities of raw, classified CIA files and reporting; conducted interviews in the United States and Central America; attended "town meetings" in Los Angeles; received a number of briefings; and held hearings.

A. REVIEW OF OTHER INVESTIGATIONS AND REPORTS

The Committee reviewed in detail the other relevant investigations and reports that can throw light on the specific allegations raised in the "Dark Alliance" series or on the circumstances surrounding those allegations. Specifically, the Committee reviewed:

"Inquiry into the 1986 Investigation of the Blandon Organization," November 1996, Los Angeles County Sheriff's Department;

"Allegations of Connections between CIA and the Contras in Cocaine Trafficking to the United States (96-0143-IG), Volume I: The California Story," January 29, 1998, Office of the Inspector General, Central Intelligence Agency (classified and unclassified versions);

"Allegations of Connections Between CIA and the Contras in Cocaine Trafficking to the United States (96-0143-IG), Volume II: The Contra Story," October 8, 1998, Office of the Inspector General, Central Intelligence Agency (classified and unclassified versions);

"The CIA-Contra-Crack Cocaine Controversy: A Review of the Justice Department's Investigation and Prosecutions," December 1997, Office of the Inspector General, Department of Justice;

"Drugs, Law Enforcement and Foreign Policy," Report to the Senate Subcommittee on Terrorism, Narcotics and International Operations Report, December 1988;

Material related to the activities of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, and the House Select Committee to Investigate Covert Arms Transactions with Iran ("Iran Contra"); and

Various hearing transcripts from the Senate Select Committee on Intelligence related to "Iran Contra."

The first four reports, resulting directly from the "Dark Alliance" series, were relevant in their entirety, and the Committee found them to be thorough and credible. The Congressional reports and transcripts were of value in illuminating the historical context of the "Dark Alliance" allegations.

Report of the Los Angeles County Sheriff's Department

Based upon the *San Jose Mercury News* "Dark Alliance" series, the Los Angeles County Sheriff's Department launched an investigation into the allegations that implied wrongdoing within the Department. The report, which is in four volumes and consists of thousands of pages of text and supporting evidence, was released in November 1996.¹⁶ The scope of this report was to "find out what, if anything, members of our [Los Angeles County Sheriff's] Department knew about alleged CIA/Contra (FDN) involvement in cocaine sales in the south central area of Los Angeles; when the members of our Department learned of any such conspiracy; and determine what, if anything was done with this information. The inquiry was also meant to determine whether or not any such knowledge or belief caused members of the Sheriff's department to ignore or not properly investigate drug cases."¹⁷

The *San Jose Mercury News* series alleged that the Contra organization in Los Angeles was directly responsible for drug trafficking, and that local law enforcement investigation and activities were hampered by interference from U.S. Government agencies including the CIA. The Blandon drug ring in particular was said to benefit from some sort of assistance from the CIA. When the police served a search warrant on Blandon associate Ronald Lister in 1986, Lister claimed an association with the CIA and attempted to call Scott Weekly whom he identified as his CIA contact. The articles also alleged the CIA or other federal officers came to the Sheriff's Department and removed evidence seized at Lister's home.

In sum, the Sheriff Department investigation found no evidence of any CIA involvement with the Blandon drug organization. The Sheriff's report also concluded that there was no evidence that the CIA has hampered or prevented any law enforcement investigation, arrest or prosecution in the Los Angeles area.

Regarding Ronald Lister and the 1986 search, the report stated that Lister denies ever pleading a CIA connection to law enforcement officers, although he admits to having falsely claimed a CIA relationship in other circumstances to enhance his credentials so as

¹⁶ A summary of this report can be found at Appendix D.

¹⁷ Los Angeles County Sheriff's Department, *Inquiry into the 1986 Investigation of the Blandon Organization* (hereinafter, Sheriff's Report), November 1996, Volume I, Scope of Inquiry.

to promote his security business. Regarding the alleged telephone call to his CIA contact, Weekly, all parties interviewed in the Sheriff's investigation agree that Lister began to place a call while law enforcement officers were searching his home, but that he stopped before completing it.¹⁸ Lister claims that the call was to have been to his lawyer. Moreover, the Sheriff's report found no evidence that Weekly had any relationship with the CIA.¹⁹

Finally, regarding the claim that CIA or other federal agents came to the Sheriff's office and removed evidence from the search, the Sheriff's report determined that the officer who made this claim had heard the allegation from another police officer who has since admitted it was a hoax.²⁰

CIA IG Report—Volume I

After the publication of the "Dark Alliance" series and the resultant public interest, the DCI directed that the CIA IG conduct an investigation. The Office of the Inspector General (OIG), established by law to conduct independent oversight, launched an extensive investigation culminating in two reports, one specifically related to the allegations in the "Dark Alliance" series and another focusing on the larger question of CIA knowledge of Contra-related narcotics trafficking anywhere in the United States. The first report, entitled "Allegations of Connections Between CIA and the Contras in Cocaine Trafficking to the United States, Volume I: The California Story," was forwarded to the Committee in classified form in January 1998.²¹ An unclassified version was released to the public soon thereafter.

In short, the IG found that there was no evidence of a CIA relationship with Oscar Danilo Blandon, Juan Norwin Meneses, Ricky Ross, Ronald J. Lister or David Scott Weekly, and that neither the CIA nor its Contra assets participated in Blandon's, Meneses' or Ross' enterprises trafficking narcotics into California. Likewise, the IG found no evidence that either Ross, Blandon or Meneses was involved in drug trafficking specifically to support the Contras, although Blandon and Meneses were Contra sympathizers and donated money to the Contra organization in California. The investigation also found no evidence that the CIA played a decisive role, as was alleged, in influencing the prosecution of individuals arrested for smuggling drugs into San Francisco in a matter known as the "Frogman Case."

CIA IG Report—Volume II

The CIA IG produced the second volume of his report on April 27, 1998.²² The report, entitled "Allegations of Connections Between CIA and the Contras in Cocaine Trafficking to the United States, Volume II: The Contra Story," was classified due to sources

¹⁸Id., pages 8-10 and 57-70.

¹⁹Based on information developed by the Committee, Scott Weekly appears to be a mercenary who was formerly in U.S. Special Forces and who has, in the past, claimed association with various elements of the U.S. Intelligence Community. This has included a claimed association with the Defense Intelligence Agency regarding inquiries into POW/MIA issues. The Committee found no evidence that Scott Weekly has ever been associated with the U.S. Intelligence Community.

²⁰Sheriff's Report, pages 10-11.

²¹A summary of the investigation, which includes a synopsis of its findings, is located at Appendix E.

²²The Executive Summary and Conclusions of Volume II are found at Appendix F.

and methods concerns. At the Committee's request, an unclassified version of the report was released on October 8, 1998. Volume II addresses the CIA's knowledge of any alleged drug trafficking by the Contras and persons or organizations who supported the Contra program in the 1980's. As noted in the report, the investigation focused on three central issues:

CIA's knowledge of drug trafficking allegations regarding Contra-related individuals, organizations, independent contractors and other individuals supporting the Contra program;

CIA's handling of, and response to, such drug trafficking allegations; and

CIA's sharing of information with other U.S. Government entities, including law enforcement agencies and the Congress, concerning such allegations.²³

The CIA IG concluded in Volume II that there was no evidence that the "CIA as an organization or its employees conspired with, or assisted, Contra-related organizations or individuals in drug trafficking to raise funds for the Contras or for any other purpose."²⁴ The IG did find, however, that, although statutory and executive branch regulations were not violated, more could have been done to comply with the spirit and intent of these requirements to ensure CIA activities were not tainted by association with alleged narcotics traffickers. Likewise the IG found several internal CIA policies and practices from that era to be wanting. Specifically, the report stated:

CIA acted inconsistently in handling allegations or information indicating that Contra-related organizations and individuals were involved in drug trafficking. In some cases, CIA pursued confirmation of allegations or information of drug allegations. In other cases, CIA knowledge of allegations or information indicating that organizations or individuals had been involved in drug trafficking did not deter use by CIA. In other cases, CIA did not act to verify drug trafficking allegations or information even when it had the opportunity to do so. In still other cases, CIA deemed the allegation or information even when it had the opportunity to do so. In still other cases, CIA deemed the allegation or information to be unsubstantiated or not credible.²⁵

The IG report also found that, although the CIA responded quickly to guidance issued by then-Acting DCI Robert Gates in April 1987 with respect to the air service companies, contract air crew members and other companies that supported the Contra program, the CIA's actions were inconsistent. Some organizations and individuals continued to be used to support the Contra program despite information suggesting possible drug-related connections.²⁶

²³ Volume II, page 3.

²⁴ Id, page 6.

²⁵ Id, page 35.

²⁶ Id, page 13.

Regarding reporting information obtained on drug trafficking, the IG found that the CIA met, and in two cases exceeded, requirements to report drug-related information to the DOJ pursuant to a 1982 Memorandum of Understanding (MOU) between the Department and Agency concerning crimes reporting.²⁷ The IG found that the CIA shared with executive branch agencies, in a variety of ways, allegations and information concerning drug trafficking by 25 Contra-related individuals and assets.²⁸ Finally, the CIA IG concluded that the CIA briefings for Congress on Contra-related matters occasionally included allegations or information related to drug trafficking.²⁹

DOJ IG Report

The DOJ IG also launched an independent investigation into the allegations made in the "Dark Alliance" series. This investigation had a broader scope than the CIA IG's in that it also looked at the U.S. criminal justice system and DOJ's handling of the criminal narcotics cases noted in the series. The report also addressed allegations that are not directly related to the issue of CIA involvement and reviewed the growth of cocaine trafficking within the United States. The report, entitled "The CIA-Contra-Crack Cocaine Controversy: A Review of the Justice Department's Investigation and Prosecutions," is more than 400 pages long and is unclassified.³⁰

The report was completed in December 1997, however the Attorney General delayed its release due to concerns related to ongoing law enforcement activities or prosecutions.³¹

Generally, the DOJ IG report concluded that the main allegations contained in the "Dark Alliance" series were exaggerations of fact. While the IG found that Blandon and Menses were significant drug dealers who supported the Contras, it appeared that support was modest. The IG found that the apparent inconsistency in the treatment of drug traffickers profiled in the "Dark Alliance" series was due to "the normal dynamics that affect the success of scores of investigations of high-level drug traffickers" rather than "anything as spectacular as a systematic effort by the CIA or any other intelligence agency to protect the drug trafficking activities of Contra supporters."³² The report also found that neither Blandon's cocaine supply nor Ross' cocaine dealing was the sole cause of the explosive spread of crack cocaine into Los Angeles or elsewhere in the United States.

The report did find problems in some areas. Among these were: Blandon received a U.S. "green card" improperly, although this was not because of a connection between Blandon and the Contras or the CIA;³³ there was uncertainty within the DOJ concerning whether to prosecute Meneses or use him as a witness in other cases;³⁴ there was concern in the government that DEA agent

²⁷Id., page 15.

²⁸Id., page 15.

²⁹Id., page 14.

³⁰The Executive Summary of the report can be found at Appendix G.

³¹The relevant letters informing the Committee of this decision appear in Appendix H.

³²DOJ IG report, page 405.

³³Id., page 93.

³⁴Id., page 149.

Celerino Castillo should not openly probe possible drug-related activities at the Ilopango Airport, El Salvador for fear of exposing sensitive covert operations there;³⁵ and that there was CIA intervention in the "Frogman Case."³⁶ The DOJ IG summarized his conclusions, however, by stating, "Although these findings are troubling, they are a far cry from the type of broad manipulation and corruption of the federal criminal justice system suggested by the original allegations."³⁷

*Senate Subcommittee on Terrorism, Narcotics and International Operations Report "Drugs, Law Enforcement and Foreign Policy," December 1988*³⁸

In April 1986, the Senate Foreign Relations Committee's Subcommittee on Terrorism, Narcotics and International Operations began an investigation that included a review of allegations of Contra connections to narcotics trafficking. In its December 1988 final report, the Subcommittee included a chapter entitled "Narcotics Traffickers and the Contras."

In the report's executive summary, the Subcommittee noted that:

The war against Nicaragua contributed to weakening an already inadequate law enforcement capability in the region, which was exploited easily by a variety of mercenaries, pilots and others involved in drug smuggling. The Subcommittee did not find that the Contra leaders personally were involved in drug trafficking. There was substantial evidence of drug smuggling through the war zones on the part of individual Contras, Contra suppliers, Contra pilots, mercenaries who worked with the Contras, and Contra supporters throughout the region.³⁹

Further, in the executive summary, the Subcommittee stated that "even the Nicaraguan Contras fighting to overthrow the Sandinistas were not immune from exploitation by narcotics traffickers."⁴⁰

Although the question of a connection between the Contras and drug traffickers was not the original focus of the Subcommittee's investigation, the report stated that the investigation "uncovered considerable evidence relating to the Contra network which substantiated many of the initial allegations laid out before the Committee."⁴¹

The report continued:

On the basis of this evidence, it is clear that individuals who provided support for the Contras were involved in drug trafficking, the supply network of the Contras was used by drug trafficking organizations, and elements of the Contras themselves knowingly received financial and material assistance from drug traffickers. In each case, one or

³⁵ Id, page 371.

³⁶ Id, page 305.

³⁷ Id, page 23.

³⁸ Hereinafter, Senate report.

³⁹ Senate Report, page 2.

⁴⁰ Id, page 11.

⁴¹ Id, page 36.

another agency of the U.S. government had information regarding the involvement either while it was occurring or immediately thereafter.⁴²

The Subcommittee focused on the U.S. Government's response to this situation, and included in its report testimony by the CIA's Chief of the Central American Task Force regarding knowledge within the U.S. Government of drug smugglers involved in the Contra effort.⁴³ The Subcommittee concluded that there had been a "failure of U.S. law enforcement and intelligence agencies to respond properly to allegations concerning criminal activity relating to the Contras."

In its report, the Subcommittee also described how drug smugglers used the Contra support infrastructure. The Subcommittee found this, too, was of concern to U.S. officials, concluding that:

[B]y the summer of 1986, it became of significant concern to the U.S. government officials who were involved in the Covert Contra supply operations undertaken during the Boland Amendment period The concern highlights the degree to which the infrastructure used by the Contras and that used by drug traffickers was potentially interchangeable, even in a situation in which the U.S. government had itself established and maintained the airstrip involved.⁴⁴

In its review of the State Department's decision to use companies that allegedly had connections to narcotics traffickers, the Subcommittee examined if U.S. officials in the CIA, National Security Council (NSC), and State Department were aware of the allegations and, if so, why they provided U.S. public funds to these companies to assist the Contras. The Subcommittee concluded that "at best, these incidents represent negligence on the part of U.S. government officials responsible for providing support to the Contras. At worst it was a matter of turning a blind eye to the activities of companies who use legitimate activities as a cover for their narcotics trafficking."⁴⁵

The Subcommittee also noted that all U.S. assistance to the Southern Front Contra organization (ARDE) was cut off on May 30, 1984 because of the involvement of ARDE personnel in drug trafficking.⁴⁶ Yet, the Subcommittee found that "many of the same drug traffickers who had assisted ARDE were also assisting other Contra groups that continued to receive funding."⁴⁷

Iran-Contra Materials

The Committee tasked the Congressional Research Service (CRS) to review the "Iran Contra" materials for references to any involvement by U.S. intelligence agencies in the sale, supply or shipment of illegal drugs or to knowledge about such activities as they related to the Contras. CRS found that the Iran-Contra investigation

⁴²Id, page 36.

⁴³Id, page 38.

⁴⁴Id, page 42.

⁴⁵Id, page 44.

⁴⁶Id, page 52.

⁴⁷Id, page 52.

paid very little attention to the question of any relationship between the Intelligence Community and drug smuggling, although there were some references to this in testimony.⁴⁸

B. TOWN MEETINGS

Committee Members and staff participated in two "town meetings" held in the Los Angeles area. Both meetings were hosted by Representative Juanita Millender-McDonald.

The first meeting was at Compton Community College in Compton, California, on October 19, 1996, and was titled a "Congressional Inquiry into Alleged Central Intelligence Agency Involvement in the South Central Los Angeles Crack Cocaine Drug Trade." Members of the Committee in attendance were Representative Jerry Lewis and Representative Julian Dixon. The session was divided into five panels:

Panel I: Overview of Accounts Documenting Alleged Central Intelligence Agency Knowledge of and/or Involvement in Drug Trafficking in South Central Los Angeles.

Panel II: Local Law Enforcement Responses to Drug Proliferation and the Increases in Crime.

Panel III: Drug Trafficking, Abuse and the Criminal Justice System.

Panel IV: The Community Responds—Impact on Families and Devastation of the Community.

Panel V: The Search for Solutions: Alternative Policy Directions in the War on Drugs.

Participants included researchers, journalists, attorneys, law enforcement officers, academicians, a federal judge, state and local elected officials and residents of the area representing themselves and community groups. The session also included a telephone conversation with Ricky Ross from prison.

The purpose of the meeting was to educate Members of Congress about the issues raised by the "Dark Alliance" allegations and to hear from those who had seen first-hand the effects of the drug trade in their communities. Although some individuals discussed CIA and allegations of U.S. Government complicity in the trafficking of drugs into the United States, no first-hand information on this issue was brought forth. Presentations on the growth of the drug trade within Los Angeles and across the United States brought into question the "Dark Alliance" series' account of the spread of crack cocaine, including Gary Webb's emphasis on the role of the Ricky Ross organization. Professor Malcolm Klein, of the University of Southern California, stated that the spread of crack had many causes well beyond any of the activities attributed to the CIA. Other presentations did, however, tend to support other observations made in the articles, for example, apparent race-based disparities in the sentencing of criminals convicted on drug charges. For the most part, the statements by law enforcement representatives took exception to the allegations made in the "Dark Alliance" series.

⁴⁸ The results of the CRS review are at Appendix I.

Also appearing at the Compton meeting was Michael C. Ruppert, a former Los Angeles Police Officer who claimed to have evidence of CIA involvement in drug trafficking. The Committee later contacted Mr. Ruppert to make copies of several thousand pages of documentary material he had compiled. The conclusions in this report reflect a thorough consideration of Mr. Ruppert's materials.

The second "town meeting" was at Alain Locke High School in Watts on November 15, 1996, and featured DCI John Deutch. Attendees included Committee members Julian Dixon and Jane Harman. Prior to this meeting, a private meeting was held by the DCI and Representatives Millender-McDonald, Harman, and Dixon with several community leaders, activists and elected officials. This session allowed community leaders to present their concerns directly to the DCI. At this session, the DCI urged these leaders to provide any information they might have to the CIA IG. The public session started with statements by Representative Millender-McDonald and DCI Deutch. Although no new investigative leads were developed, a lengthy question and answer session was held with the audience so the DCI could hear and address the concerns of the local citizenry.

C. REVIEW OF DOCUMENTS

In the course of its investigation, the Committee had access to materials provided to the IGs of the CIA and DOJ, including CIA operational correspondence and other documents related to the Contras and individuals mentioned in the "Dark Alliance" series. As reported by the IGs, these documents amounted to tens of thousands of pages. These materials were invaluable to the Committee's investigation, as they presented contemporaneous documentation of actions and thoughts from numerous CIA offices and field installations, thus providing the Committee extraordinarily detailed insight.

In some cases, the Committee made specific requests for additional information and assistance, which was provided by the offices of the IGs at CIA or DOJ, or by the agencies themselves. In addition to information from the CIA and DOJ, the Committee also made formal inquiries of other agencies within the Intelligence Community, all of which responded promptly to the requests.

In its review of documents, the Committee did not find any specific information linking the CIA or Contras with drug trafficking that had not been examined by the CIA and DOJ IGs. The review was instructive, though, in documenting the way in which the CIA handled allegations of drug-trafficking connections with the Contras. Typically, if a CIA station developed an allegation of drug trafficking by a Contra, CIA headquarters followed up with a request for further details. A frequent theme in the message traffic from headquarters was that any association of drug trafficking with the Contras was bad for both the Contras and the CIA. In many cases, the cables transmitted guidance and directed caution in contacting certain individuals within or associated with Contra movement. Often, if allegations of involvement of an individual with drug trafficking were an issue, guidance cables would request additional information on the individual from other overseas stations.

D. INTERVIEWS

The Committee conducted interviews of approximately 40 individuals. Individuals were interviewed if they could provide information on areas of specific concern that the Committee felt needed additional attention, clarify conflicting information or answer questions that had been raised subsequent to the other reports.

Of note, the Committee interviewed the seven former U.S. Government officials who were identified in Volume I of the CIA report as having refused to be interviewed by the CIA IG. These seven were Duane Clarridge, Joseph Fernandez, Clair George, John McCavitt, Gerald Svat, Celerino Castillo and a former mid-level CIA officer.⁴⁹ Others interviewed included judges, prosecutors and attorneys; FBI personnel; current and former Los Angeles Police Department personnel; and current and former Los Angeles Sheriff's Department personnel. Other key individuals named in the "Dark Alliance" series were interviewed in Nicaragua, including: Eden Pastora, Norwin Meneses, Luis Meneses, Enrique Miranda, Adolfo Calero and Popo Chamorro. The Committee also interviewed Ronald Lister, Ricky Ross and Danilo Blandon.

Some of the more informative portions of these interviews are summarized below.⁵⁰

Individuals not Interviewed by the CIA IG

As previously noted, seven individuals declined interviews with the CIA IG.⁵¹ Six of these individuals were formerly CIA employees, and one had been with DEA. The Committee contacted these individuals, all of whom agreed to be interviewed. The six former CIA employees indicated they had refused to cooperate with the CIA IG investigation for a combination of reasons. Principal among these were concern over the IG's procedures and a distrust of the IG himself, in some cases due to previous associations. Some expressed concern that the IG was embarking on more of a "witch hunt" than a serious search for the truth.

The former DEA officer, Celerino Castillo, was interviewed by telephone. Although he was not uncooperative, Castillo provided no information beyond the allegations addressed in the DOJ report.⁵² He was unable to provide any evidence or information to help the Committee examine the validity of those allegations.

1: Duane Clarridge

In this interview,⁵³ Clarridge indicated that he had no knowledge of or contact with any of the key individuals (Meneses, Blandon, Ross) listed in the *Mercury News* series. He noted that the only instance of some activity related to drug trafficking during the 1981-84 period (when he was the Chief of the Latin America Division) that he could recall was that of "Barry" Seal, who participated in a 1983 sting operation against the Nicaraguan Sandinista Govern-

⁴⁹ The fact that this individual was a CIA employee is still classified. Thus, the former officer is not identified here by name.

⁵⁰ A complete listing of those who were interviewed by the Committee is presented in Appendix J.

⁵¹ The CIA IG does not have the authority to subpoena the testimony of individuals.

⁵² DOJ IG report, page 334.

⁵³ HPSCI interview with Duane Clarridge (hereinafter, Clarridge interview), February 19, 1999.

ment.⁵⁴ Regarding narcotics-related reporting from the CIA stations, Clarridge stated that counternarcotics programs in Central America were not a priority of CIA personnel in the early 1980's and that most counternarcotics reporting during this period came from the DEA and FBI.⁵⁵ Clarridge recollected that reporting on narcotics trafficking involving CIA assets or other individuals associated with the Contra program during this period was rare, especially when compared to today's reporting.⁵⁶

When asked about reporting guidelines and guidance within CIA headquarters, Clarridge explained that the procedures changed in 1984 after he left the position of Latin America Division Chief. He stated that he was a "hands-on" manager and had direct knowledge of most operations and activities in the region.⁵⁷ Regarding the relationship between the Division and the Latin America Task Force, Clarridge claimed that the Task Force worked for him, and he had full knowledge of its activities.⁵⁸ He further stated that because of the DCI's high interest and involvement in the activities of his Division, the DCI would, as a matter of course, communicate directly with him, thereby often bypassing the Deputy Director of Operations, who hierarchically came between the two of them. Clarridge explained that after his departure, the relationship changed in that the Task Force became even more autonomous, and the DCI would communicate directly with the chief of the Task Force, bypassing both the Division Chief and the Deputy Director of Operations.⁵⁹

2: Clair George

George indicated that he had no knowledge of or contact with any of the key individuals listed in the *Mercury News* series.⁶⁰ He recalled two instances of linkages between narcotics and Nicaraguan individuals during his term of service as the Deputy Director of Operations: (1) the 1983 "Barry" Seal sting involving the Sandinista Interior Ministry; and (2) 1984 intelligence reports linking Contra leader Eden Pastora and Nicaraguan narcotics trafficker Jorge Morales.⁶¹ George did not have detailed or specific recollection of either of these matters, which occurred 15 years ago.

George noted that the standard operating procedure for reporting narcotics allegations was to forward all such allegations directly to CIA's Office of General Counsel (OGC), which would then coordinate any investigation with the Justice Department.⁶² George indicated that he had very infrequent contacts with senior FBI officials on narcotics issues, including allegations involving CIA assets or

⁵⁴ Adler Berriman Seal, who had been arrested on drug charges, became a DEA informant and was used by DEA in a sting operation in 1983-84 against the Sandinista government. Seal was used to transport cocaine from Los Brasiles airport in Nicaragua to Homestead Air Force Base near Miami, in a plane that was specially equipped with recording devices provided by the CIA at the request of DEA. Information from this flight indicated that Federico Vaughan, reportedly an official of the Nicaraguan Interior Ministry, was involved. Vaughan was later indicted by the U.S. for drug trafficking. Although the sting had been directed against Tomas Borge, the Interior Minister, he was never indicted. The cocaine was recovered in Miami by the DEA. Seal was murdered in 1986, in Baton Rouge, Louisiana.

⁵⁵ Clarridge interview, page 2.

⁵⁶ Id., page 2.

⁵⁷ Id., page 10.

⁵⁸ Id., page 12.

⁵⁹ Id., page 13.

⁶⁰ HPSCI interview with Clair George (hereinafter, George interview), February 2, 1999.

⁶¹ George interview, page 2.

⁶² Id., page 6.

other individuals associated with the Contra program. He said that he had no liaison whatsoever with the DEA.⁶³ When asked about the April 1989 memorandum by then-Acting DCI Gates concerning the requirement to vet contractors, George had no recollection of the memo.⁶⁴

When asked about reporting and investigating allegations related to narcotics, George stated that he relied on and expected his headquarters division and branch chiefs and his chiefs of station to make decisions and handle problems. He expected only matters that could not be resolved at lower levels to be referred to him.⁶⁵

3: John McCavitt

As a senior CIA official concerned with Guatemala and El Salvador in the 1980's McCavitt noted that he maintained good liaison relationships with the DEA country attachés.⁶⁶ McCavitt noted that the standard operating procedure for reporting narcotics allegations was to forward all such information directly to CIA's Office of General Counsel, which would then coordinate any investigation with the Justice Department. McCavitt stated that his guidance to his officers in the field was to report allegations to headquarters, but that, when possible, they were to try to substantiate the substance of the allegations. He noted that he was concerned that entire families could be entered into DEA and INS databases as drug traffickers based on unsubstantiated allegations regarding individual family members.⁶⁷

McCavitt stated that he had no knowledge of or contact with any of the key individuals in the *Mercury News* series. McCavitt noted that he was the subject of numerous "unsubstantiated" allegations in former DEA agent Celerino Castillo's book.⁶⁸ He rejected forcefully Castillo's allegations regarding CIA involvement with narcotics trafficking in El Salvador and Guatemala. Further, he denied an allegation that Ilopango Airport in San Salvador had been used by Contra leaders as a narcotics trans-shipment point. McCavitt specifically noted that the Contra effort at the airport was closely supervised and that any narcotics trafficking would have been immediately halted and the individuals would have been immediately removed from the Contra program. He stated that he could not speak as authoritatively about activities in other parts of Ilopango.⁶⁹ McCavitt also denied Castillo's allegations that he had been involved in the unauthorized transfer of \$45,000 to a Salvadoran law enforcement agency.

4: Joseph F. Fernandez

Joseph Fernandez, who served as a senior CIA official concerned with Costa Rica from 1984 to 1987, indicated that he had no knowledge of or contact with any of the key individuals listed in

⁶³ Id, page 7.

⁶⁴ Id, page 5.

⁶⁵ Id, page 10.

⁶⁶ HPSCI interview with John J. McCavitt (hereinafter, McCavitt interview), December 1, 1998.

⁶⁷ McCavitt interview, page 5.

⁶⁸ Id, page 4.

⁶⁹ Id, page 6.

the *Mercury News* series.⁷⁰ Fernandez recalled two instances of linkages between narcotics and Nicaraguan individuals during his term of service within the Directorate of Operations: (1) 1984 intelligence reports linking Contra leader Eden Pastora and Nicaraguan narcotics trafficker Jorge Morales; and (2) the 1983 "Barry" Seal sting involving Sandinista Interior Minister Tomas Borge.⁷¹ Fernandez did not have detailed or specific recollection of either of these matters, although he recalled that CIA immediately sought to sever its relationship with Pastora when it was determined that Morales was involved in narcotics trafficking and that Pastora had access to some of Morales' illicit funds. He had no specific knowledge of the accuracy of narcotics allegations lodged against Pastora lieutenants Adolfo Chamorro and Octaviano Cesar. Like other CIA officials, Fernandez noted that the standard operating procedure for reporting narcotics allegations was to forward all such allegations directly to CIA's Office of General Counsel, which would then coordinate any investigation with the Justice Department.⁷²

5: Gerald Svat

Gerald Svat served as a senior CIA official concerned with Panama from 1982 to 1984.⁷³ In his interview, Svat indicated that he had no knowledge of or contact with any of the key individuals listed in the *San Jose Mercury News* series. Svat noted that Panama—unlike the rest of Central America in the early to mid 1980's—was seen as a key regional center for narcotics trafficking and money laundering. Because of this recognized activity, Svat took steps to investigate reports of narcotics trafficking by senior officials of the Panamanian Government, including General Manuel Noriega.⁷⁴ Svat noted that, in reference to questions related to any contact or association with the Contra program, efforts to establish a Contra training facility in Panama during the 1982–83 period ultimately failed.⁷⁵ Like other CIA officials, Svat noted that the standard operating procedure for reporting narcotics allegations was to forward all such allegations directly to CIA's Office of General Counsel, which would then coordinate any investigation with the Justice Department.⁷⁶

6: Mid-level CIA Officer

This officer (whose relationship to the CIA is still classified) served as a paramilitary officer and a case officer throughout Latin America during the mid- and late-1980's.⁷⁷ He indicated that he had no knowledge of or contact with any of the key individuals listed in the *Mercury News* series. He noted that he was the subject of numerous unsubstantiated allegations in former DEA agent Celerino Castillo's book. He rejected forcefully Castillo's allegations

⁷⁰ HPSCI interview with Joseph F. Fernandez (hereinafter, Fernandez interview), October 20, 1998.

⁷¹ Fernandez interview, page 3.

⁷² Id., page 14.

⁷³ HPSCI interview with Gerald Svat (hereinafter, Svat interview), October 28, 1998.

⁷⁴ Svat interview, page 2.

⁷⁵ Id., page 2.

⁷⁶ Id., page 18.

⁷⁷ HPSCI interview with Mid-level CIA Officer (hereinafter, CIA officer interview), December 8, 1998.

regarding CIA involvement with narcotics trafficking in El Salvador and Honduras.

He addressed an allegation that Ilopango Airport in San Salvador had been used by Contra leaders as a narcotics trans-shipment point. Like McCavitt, he stated that the Contra effort at Ilopango was closely supervised and that any narcotics trafficking would have been immediately halted and any individuals involved removed from the Contra program.⁷⁸ He recalled that there was a single instance during his Salvador assignment when rumors surfaced of illegal activity among Salvadoran Air Force personnel at Ilopango. The allegations were reported up the CIA chain of command at CIA headquarters, he said, but they could not be verified.⁷⁹

Key Individuals Interviewed in Nicaragua

In May 1997, the Committee interviewed six individuals relevant to this investigation in various locations in Nicaragua, including two different Nicaraguan jails. Those interviewed were: Adolfo Calero, Eden Pastora, Juan Norwin Meneses Cantarero, Enrique Miranda Jaime, Adolfo "Popo" Chamorro and Luis Meneses. Each of these individuals was reported to have been in position to have personal knowledge about the charges made in the "Dark Alliance" series, as well as the central issue of CIA involvement in or knowledge of drug trafficking. These individuals all met with the Committee voluntarily.

In summary, the interviews did not produce information supportive of the basic allegations contained in the newspaper series. None of those interviewed provided any first-hand, credible information to suggest that CIA either directed or condoned the trafficking of drugs into the Los Angeles area. To the contrary, when asked whether they had information to suggest that the CIA had been involved in such activity, those individuals known to have had a relationship with the CIA stated that they believed the allegations to be untrue.

1: Adolfo Calero

In his interview, Calero, one of the leaders of the FDN, also known as the Northern Front, stated that he had heard allegations of drug smuggling relating to some of the people involved with the Southern Front of the Contra effort and that he had "no doubt that during the Sandinista regime"⁸⁰ Sandinista drug profits may have financed the war. But he asserted that those individuals with whom he was working in the North had no involvement in that type of activity.⁸¹

With respect to Norwin Meneses and Danilo Blandon, Calero stated that "we never had any pennies come from these people."⁸² Specifically, he said he did not know Blandon, although he knew Blandon's family. He also said that he had met Meneses on one or two occasions in San Francisco, and it was at one of those meetings

⁷⁸ CIA officer interview, page 6.

⁷⁹ Id., page 9.

⁸⁰ HPSCI interview with Adolfo Calero (hereinafter, Calero interview), May 10, 1997, page 9.

⁸¹ Calero interview, page 2.

⁸² Id., page 2.

that a photograph was taken of Calero and Meneses. Calero described his travels to many U.S. cities to meet with people who supported the Contra effort. He stated that "it was nothing extraordinary that the Nicaraguans living in the United States—New Orleans, Denver, San Francisco, Los Angeles, Miami and many other places—they would want to have their picture taken [with Contra leaders]. There were hundreds of pictures."⁸³ He stated categorically that he never received any money from Meneses and it was his feeling that Enrique Bermudez also never received any money from Meneses.

In addition, he stated that he had no knowledge during his Contra days that Meneses might have been involved in illegal activity. Calero said that he had always attempted to stay away from illegal activity. "We always talked about being very straight, very honest, very truthful, very careful about the law or doing things that were not right."⁸⁴

Regarding individuals working with transport companies that were involved with humanitarian assistance, Calero stated that he thought people were involved in some dirty business besides doing legitimate work for the U.S. Government, but had no proof of this.⁸⁵

2: *Eden Pastora*

In his interview, Pastora (head of the Southern Front in the struggle in Nicaragua) described his role as "Commandante Zero" and his association with the CIA. According to Pastora, he received paramilitary and financial assistance from the CIA beginning in late 1981. Despite the fact that his relationship with the CIA ended in May of 1984, Pastora categorically stated that the CIA was not involved with drug trafficking. He said "[I] am convinced that the CIA was never involved in drug trafficking and I think that this is more of a political issue that comes out again and again anytime there are elections in the U.S. or whatever . . . and maybe if they were perhaps aware of any drug trafficking or dealings going on, they probably shrugged their shoulders and said that was DEA's concern. Maybe this was what happened, they knew that drug trafficking was going on, but were not concerned because they were involved in other issues that were more of a political nature."⁸⁶

Despite that statement, Pastora stated that he believes that CIA was responsible for allegations against him of drug trafficking and for setting up a meeting for him with a reputed drug dealer, Jorge Morales, in order to substantiate those allegations and to provide an excuse to end the Agency's relationship with him.⁸⁷ According to Pastora, Morales was responsible for providing \$30,000 to \$40,000 worth of assistance to Pastora's organization, as well as assisting in the conduct of several drug flights. Pastora alleges that the CIA "controlled" Morales and was fully aware of Morales' drug activities and Pastora's meetings with him. Pastora asserts that, once he became aware of Morales' involvement with drug dealing

⁸³ Id., page 10.

⁸⁴ Id., page 10.

⁸⁵ Id., page 7.

⁸⁶ HPSCI interview with Eden Pastora (hereinafter, Pastora interview), May 8, 1997, page 16.

⁸⁷ Pastora interview, pages 2-3.

and the fact that several of his Contra colleagues (Octaviano Cesar and Popo Chamorro) were involved with those activities, Pastora "issued orders for all relationships and all links to George Morales to be severed."⁸⁸

With respect to the central figures in the "Dark Alliance" series, Pastora denies having any relationship with or receiving any assistance from Norwin Meneses, although he said he does recall several chance meetings with Meneses.⁸⁹ Pastora said he did have a relationship with Danilo Blandon (whom he says he met in early 1984), one in which Pastora says he received financial assistance and other types of personal support (cars and housing). According to Pastora, "we had a friendship—that was the nature of the relationship. I found out that he was involved in drug dealing when I heard that he was imprisoned because of drugs."⁹⁰ Pastora said he does not believe the CIA had any relationship with Blandon.⁹¹

In a review of additional material and documentation, the Committee found no evidence to support Pastora's claims that the CIA attempted to discredit him by putting him in the company of a drug dealer (Morales). On the contrary, interviews with CIA officials and a review of the CIA's operational correspondence from that period reveal that the CIA began to distance itself from Pastora and his organization because it had received information that Pastora and members of his group were involved with drug trafficking.

3: Juan Norwin Meneses Cantarero

In his interview with the Committee (held at Tipitapa Jail where he was being held on charges relating to drug trafficking), Meneses described his business and political relationships while he lived in California, as well as the activities he undertook to help raise money in support of the Contra movement. Meneses stated that he provided about \$25–50 a week in financial support to the Contra movement. He also stated that he did not have any connections to any U.S. Government official.⁹²

According to Meneses, he had no relationship with FDN leader Adolfo Calero, except that he met him twice, including one meeting that occurred at a San Francisco airport, at which a photograph of the two men was taken.⁹³ Meneses stated that he received instructions about generating support for the Contra cause from Enrique Bermudez (original military commander of the FDN). However, Meneses categorically denied the allegation in the *San Jose Mercury News* articles that Bermudez had told him that "the ends justify the means" in raising funds for Contra operations. Meneses stated, "[T]hat is a lie. Bermudez insisted to me on several occasions that we should never get involved in drugs. That it would be dangerous and could jeopardize the movement."⁹⁴ Meneses said that he had only minimal contact with Eden Pastora, primarily

⁸⁸Id., page 3.

⁸⁹Id., page 8.

⁹⁰Id., page 9.

⁹¹Id., page 14.

⁹²HPSCI interview with Juan Norwin Meneses Contarero (hereinafter, Norwin Meneses interview), May 9, 1997, page 3.

⁹³Norwin Meneses interview, page 2.

⁹⁴Id., page 2.

through an effort he was involved with in 1983 to bring the Southern and Northern fronts together.⁹⁵

Regarding Danilo Blandon, Meneses described his business relationship with Blandon in California, beginning with a T-shirt business late in 1982. He stated that he had heard rumors in 1984 that Blandon was involved in drug trafficking, but that he has "no personal knowledge of drug trafficking" and that Blandon was not working for him at the time.⁹⁶ Meneses said he thought it was possible that funds Blandon provided to Eden Pastora could have come from drug sales. Meneses stated that he believes Blandon implicated him (Meneses) in drug activity because at the time Blandon was apprehended in the United States, Meneses was already in jail in Nicaragua. Meneses stated that he was not involved with drugs in the United States and he "was never requested by any agency of the U.S. government to get involved with drugs, not even through another Latin American,"⁹⁷ Meneses said that he gave an interview to the *San Jose Mercury News*, but "they distorted" what he said.⁹⁸

Meneses described everything said by Enrique Miranda Jaime (who accuses Meneses of drug trafficking and other illegal activity) as "a set-up" and "lies." Meneses said he concludes that Miranda concocted his stories as a result of the *San Jose Mercury News* series.⁹⁹

4: Enrique Miranda Jaime

In his interview with the Committee (which was held at Grenada Jail and in the presence of two attorneys representing Miranda, Miranda's own translator,¹⁰⁰ and a member of the staff of the U.S. Embassy), Miranda outlined allegations of drug smuggling involving Norwin Meneses and the CIA. Miranda also stated that he fears for his life and is seeking to enter the U.S. Government's witness protection program.¹⁰¹

Regarding Meneses and the Contras, he stated that he went with Meneses to Dallas/Fort Worth and saw drugs that had been unloaded from planes that were used to deliver weapons to the Contras. Miranda specifically implicated Norwin Meneses and his brother Luis Meneses in this activity (which Miranda believed had taken place between the years 1982 and 1984).¹⁰² According to Miranda, Norwin Meneses "thought he had the backing of the CIA and Contra leaders."¹⁰³

Miranda described an elaborate set of events he said took place while he was in prison in 1982. He said he intercepted a letter written by Norwin Meneses and sent to the CIA in Managua. According to Miranda, in that letter, Meneses appealed to the CIA not to abandon him. Miranda claims to have made a copy of that letter;

⁹⁵ Id, page 3.

⁹⁶ Id, page 5.

⁹⁷ Id, page 5.

⁹⁸ Id, page 6.

⁹⁹ Id, page 6.

¹⁰⁰ The Committee understood that Miranda does not speak English, thus allowed questions and responses to be translated.

¹⁰¹ HPSCI interview with Enrique Miranda Jaime (hereinafter, Miranda interview), May 9, 1997, page 1.

¹⁰² Miranda interview, pages 2-3.

¹⁰³ Id, page 3.

but he no longer has a copy. The letter, he said, was given to the Nicaraguan police.¹⁰⁴

The Committee has found no evidence to corroborate any part of this account.

5: Adolfo "Popo" Chamorro

In his interview, Chamorro stated that he served as chief of intelligence, chief of staff and chief of logistics for the Southern Front. He stated that from 1982-85 his organization received several million dollars and 5,000 weapons from the CIA. Chamorro said that he was in charge of dealing with the CIA officials concerned with Costa Rica. Chamorro described the situation the Southern Front found itself in when U.S. assistance was cut off, a situation that brought him to the United States (as well as El Salvador and Argentina) in search of support. This process, he said, brought him and the organization in contact with George Morales, who later was indicted by the DEA and testified about contact with the Contras. Chamorro stated that his cousin, Octaviano Cesar, asked permission from the CIA to proceed with an operation involving Morales.¹⁰⁵ Chamorro stated that a "high level CIA relationship" with his organization had been handled by Eden Pastora.¹⁰⁶

Chamorro stated, "I never saw any CIA official involved in drugs and they never told us it was OK to get involved."¹⁰⁷ He stated that he never had any discussion with CIA officials about drugs.¹⁰⁸ In answering questions related to drug trafficking activity involving the Northern Front and the Sandinistas, he stated that, "we sent information to the U.S. Congress and CIA about drugs and Sandinistas," and that he "heard something about everybody and drugs during that time."¹⁰⁹

Chamorro said that he had never met Norwin Meneses but that he had heard of him, and that he had met Danilo Blandon several times. He stated he did not know anything about financial support that Blandon may have given to the Southern Front, noting that Eden Pastora handled the finances.¹¹⁰

Regarding Pastora's theory that the CIA set up the meeting Pastora had with George Morales, Chamorro said he did not believe that theory to be true. Chamorro stated "Pastora had a relationship with CIA before the Contra war, but CIA never fully believed in Pastora because of his relationship with the Sandinistas. That's why they never gave the Southern Front much money."¹¹¹

6: Luis Meneses

Luis Meneses (brother of Norwin Meneses) stated in his interview, which was conducted with the assistance of a translator, that allegations made about him and his brother being involved with drug trafficking to support the Contras were not true. He further stated that those allegations should not be given any weight be-

¹⁰⁴ Id., pages 2-3.

¹⁰⁵ HPSCI interview with Adolfo "Popo" Chamorro (hereinafter, Chamorro interview), May 10, 1997, page 2.

¹⁰⁶ Chamorro interview, page 2.

¹⁰⁷ Id., page 1.

¹⁰⁸ Id., page 2.

¹⁰⁹ Id., page 2.

¹¹⁰ Id., page 3.

¹¹¹ Id., page 3.

cause they had been made by Enrique Miranda, who had changed his story and could not be believed because of his own criminal background.¹¹²

Meneses explained that he and his brother, Norwin, had political differences and did not have a close relationship. As a result, he stated that he was unaware of the type of assistance Norwin might have provided to the Contra movement. He also said that he did not have detailed knowledge of the type of business dealings Norwin had in the United States. When asked whether he believed his brother may have been involved with the CIA, Meneses stated that he had some suspicion because he "used to see him with strange people" in Costa Rica, and that he had been told at one time that Norwin was involved with the DEA. But, Meneses said, when he asked Norwin about those suspicions, Norwin denied any involvement.¹¹³

Meneses stated that, during the period when he fought with the Contras in the mountains in the northern part of Nicaragua, he was never aware of any drug trafficking. He said that, if such activity had been going on, perhaps it had been occurring in other regions, but not in the North.¹¹⁴ He said that he "never saw or heard or was a witness to any talk about possible U.S. government officials being involved in" drug activity.¹¹⁵ Meneses also stated that he has never had contact with anyone working with the CIA.¹¹⁶

Regarding Danilo Bandon, Meneses stated that Bandon "and other people like him used the Contras to get personal benefits, to say that they were raising money to give to the Contras, but in fact they didn't really give that money to the Contras. They used the Contras as an excuse to benefit themselves."¹¹⁷

Meneses described his arrest on drug charges in Nicaragua in 1991, and the arrest of his brother, Norwin, as being based on "a political vendetta against us because we were known to have been in the Contras."¹¹⁸

Deposition of Oscar Danilo Bandon

On June 25, 1997, the Committee deposed Oscar Danilo Bandon, a central figure in the "Dark Alliance" series. The deposition lasted for more than 5 hours, and involved extensive questioning about Bandon's knowledge of the events and allegations described in the *San Jose Mercury News* newspaper stories. Bandon presented his testimony voluntarily and under oath.

In the deposition, Bandon described his activities in the United States, a series of his business ventures, and his eventual involvement with the drug business. He stated that he started his drug activity "believing that the profits were going to the Contra revolution" and stated that he gave a total of roughly \$20,000 to the Contras in the 1981-82 period.

¹¹² HPSCI interview with Luis Meneses (hereinafter, Luis Meneses interview), May 9, 1987, page 1.

¹¹³ Luis Meneses interview, pages 11-12.

¹¹⁴ Id., page 5.

¹¹⁵ Id., page 5.

¹¹⁶ Id., page 6.

¹¹⁷ Id., page 5.

¹¹⁸ Id., pages 10-11.

Blandon described his relationship with Norwin Meneses, whom he said was his supplier and mentor in the drug trade. He stated that he met Meneses when a friend of his from Miami—Donald Barrios, who was involved with supporting the Contras—asked Blandon to pick up Meneses at the airport in Los Angeles in 1981. It was during this encounter, according to Blandon, that Meneses encouraged Blandon to become involved with the drug business in order to assist the Contras.¹¹⁹

We spoke a lot of things about the Contra revolution, about the movement, because then he took me to the drug business, speaking to me about the drug business that we had to raise money with drugs. And he explained to me, you don't know, but I am going to teach you. And, you know, I am going to tell you how you will do it. You see, you keep some of the profit for you, and some of the profit, we will help the Contra revolution, you see.¹²⁰

Blandon also said that "Meneses was trying to convince me with the Contra revolution to get me involved in drugs. Give a piece of the apple to the Contras and a piece of the apple to him, because later on I learned that, you know, that it wasn't whatever he told me, you know."¹²¹

Regarding the reported flow of money from Blandon and his drug business to the Contras, Blandon stated that he assumed the money he had given Meneses was being sent by Meneses to the Contra movement. However, Blandon stated that he had no first-hand knowledge that this was actually occurring.¹²²

Blandon stated that he did not know Adolfo Calero, although he did see Calero at a big political event in Los Angeles.¹²³ Blandon said he had met Enrique Bermudez at a meeting in Honduras, having traveled there with Meneses. Blandon stated that his testimony regarding this meeting had been misconstrued and mischaracterized in the *San Jose Mercury News* series with respect to a statement Blandon had attributed to Bermudez that, when it comes to supporting the Contras, "the end justifies the means." Blandon told the Committee that he did not believe Bermudez's statement was meant to encourage drug trafficking. He stated, "It didn't mean that he told us, go on, sell drugs. He didn't tell us. He didn't know that we were in the drug business with Meneses."¹²⁴ According to Blandon, no one in the Contra support organization in Los Angeles knew that Blandon was involved with drug trafficking.¹²⁵

Blandon described the events relating to that meeting, including the fact that he had had with him \$100,000 that Meneses had asked him to carry and that Blandon thought was to be given to the Contras. According to Blandon, the money was not given to the Contra in Honduras; rather, Meneses kept it for use in a drug deal

¹¹⁹ HPSCI deposition of Oscar Danilo Blandon (hereinafter, Blandon deposition), June 25, 1997, pages 35–38.

¹²⁰ Blandon deposition, page 28.

¹²¹ Id., page 40.

¹²² Id., pages 57–58.

¹²³ Id., page 68.

¹²⁴ Id., page 7.

¹²⁵ Id., page 8.

Meneses was working with some Bolivians.¹²⁶ Blandon stated that he felt Meneses used him to carry such a large amount of cash so that it would be Blandon who assumed the risk if they were caught.¹²⁷

Blandon stated that he ceased involvement with the Contra movement in 1982, after which he continued in the drug business and kept his profits for himself.¹²⁸ Blandon stated that when the CIA began to support the Contra effort in 1982, the efforts of those supporting the movement from California were no longer necessary.¹²⁹

Blandon stated that he became a confidential informant for the DEA in 1992 while he was in prison as a means to reduce his 30-year sentence. Once released from prison, Blandon stated that he received a "reward" of \$120,000 plus \$40,000 for expenses.¹³⁰ Blandon stated that he never received any payments or benefits from any other agency of the U.S. Government.¹³¹

Blandon stated that no U.S. Government agency, entity or official assisted him in any way in his drug trafficking operation, nor did he receive any offer of protection from prosecution from a U.S. official.¹³² Regarding the allegation that the CIA was involved in Blandon's drug business for the purposes of bringing cocaine into California, Blandon stated "that is ridiculous to me."¹³³

Regarding Eden Pastora, Blandon stated that Pastora sometimes traveled to California and would visit Blandon and ask for assistance. Blandon stated that he had provided Pastora with assistance in the form of a house and cars and given him a total of about \$6,000. Blandon said that he gave Pastora those things for the Southern Front, although he said he did not do any fund-raising specifically for the Southern Front. Blandon said that he and Pastora never discussed drugs, and that Pastora did not know that Blandon was involved with drugs.¹³⁴

Blandon provided a detailed account of his business relationship with Ricky Ross and how he ultimately worked with the DEA in its sting operation against Ross. Blandon also described his dealings with Ronald Lister, an ex-policeman who offered to sell guns to Blandon and Meneses for the Contras. Blandon stated that he never thought that Lister was working with the CIA or any other U.S. government agency.¹³⁵

Interview with Ricky Ross

Ricky Ross was interviewed in the Lompoc State Penitentiary by Representative Julian Dixon and a member of the Committee staff.¹³⁶ Ross explained that he became involved in the drug trade for the first time in late 1979-early 1980. He was introduced to trafficking powdered cocaine by two friends from Los Angeles, and

¹²⁶ Blandon did not provide further elaboration on his association/dealings with any Bolivians.

¹²⁷ Blandon deposition, pages 69-73

¹²⁸ Id., page 5.

¹²⁹ Id., page 11.

¹³⁰ Id., page 21.

¹³¹ Id., page 22.

¹³² Id., page 59.

¹³³ Id., page 160.

¹³⁴ Id., pages 65-66.

¹³⁵ Id., page 113.

¹³⁶ HPSCI interview with Ricky Ross (hereinafter, Ross interview), February 4, 1998.

had dealt cocaine for about eight months before he met Danilo Bandon. By the time Ross met Bandon, Ross was purchasing approximately sixteen ounces of cocaine at a time, at \$2,200 to \$2,400 an ounce, and selling both powder and crack.¹³⁷

Ross stated that he decided to process powder into crack in response to requests from his customers. According to Ross, crack was not introduced to South Central Los Angeles by the federal government. It was "popular," the "drug of choice," "what they do in Hollywood." Ross said that, in the beginning, his customers for crack were "mostly like doctors and lawyers—upper-class people" who wanted "ready rock" as a convenience to save time from cooking the cocaine themselves. Ross stated he learned how to cook cocaine from watching others do it. "Nobody would teach you how to cook. It was giving up a trade."¹³⁸

Ross explained that he was introduced to Bandon by his supplier at the time who told Ross he was turning him over to "the big guy." Bandon offered Ross a better price for cocaine than the previous supplier, dropping the price to \$1,800 an ounce of cocaine from \$2,200.¹³⁹ According to Ross, he had a close relationship with Bandon—he was almost a father figure. The relationship also led to Ross being able to move more cocaine and make more money.¹⁴⁰

Ross stated that Bandon discussed Nicaragua with Ross and recommended Ross assist in sending material to Nicaragua. According to Ross, Bandon did not say he was helping the Contras. Bandon "just said [he was helping] with a war in Nicaragua"—specifically, selling guns and sending cash, food and medicine. Ross said that money Bandon sent to Nicaragua was money from drug profits because "that is where he got his money from."¹⁴¹

When Ross was asked whether Bandon ever said he was protected by, or otherwise assisted by, the CIA or any other federal government agency, Ross answered that this was never mentioned. Ross said he did not have the sense that Bandon had government protection. "I just felt he . . . knew what he was doing, and was just sharp . . . on top of his game." Ross also said he bought guns frequently from Bandon in order to keep armed the 30–40 people who worked for him. "He would sell us Uzi's, AKA's, AR-15 . . . a lot of 38s."¹⁴²

Ross stated that immediately after he returned home to Los Angeles in 1993, between serving time in prison in Ohio and starting a prison term in Texas, he was called by Bandon, even though they had not been in touch with each other since 1988. Although Ross explained that he was trying to make his break from the cocaine trade and resented Bandon and others for neglecting him while he was in jail for four years, Bandon kept calling him offering him drugs to start dealing again.¹⁴³

After Ross was released from the Texas prison in August 1994, Bandon again persisted in getting in touch with Ross, pushing Ross to be involved in a drug deal. Eventually Ross agreed to do

¹³⁷ Ross interview, pages 5–8.

¹³⁸ Id., page 6.

¹³⁹ Id., page 10.

¹⁴⁰ Id., page 17.

¹⁴¹ Id., pages 18–19.

¹⁴² Id., pages 24–28.

¹⁴³ Id., pages 35–40.

a deal but, as it turned out, Blandon had been working for the DEA throughout his contacts with Ross in 1993 and 1994. Ross was arrested by the DEA in San Diego and faced life imprisonment after his 1995 trial. According to Ross, he was never offered any opportunity to cooperate with the DEA or to plead guilty to any lesser charge.¹⁴⁴

Ross stated that he, personally, did not believe that crack cocaine was introduced to the Los Angeles area by the government. Instead he believed that crack was already the drug of choice in Hollywood, and this drove the demand initially. In response to questions about CIA involvement in drug trafficking, Ross stated that the first he heard of any possibility of CIA involvement was his trial, when his lawyer brought it up. Ross said that his lawyer got the information from Gary Webb, who, according to Ross, appeared to be providing advice to Ross' lawyer during the trial.¹⁴⁵

Interview with Lee Strickland

The Committee interviewed Mr. Strickland, who was an attorney in the CIA's Office of General Counsel, as did officers from the CIA and DOJ IG offices.¹⁴⁶ Because his knowledge relates to only one specific issue within the overall context of this investigation, information related to his interview can be found in the Areas of Concern section of this report addressing the "Frogman Case."

Interview with Joseph Russoniello

The Committee interviewed Mr. Russoniello, who was the U.S. Attorney in San Francisco during the period in question, as did officers from the CIA and DOJ IG offices.¹⁴⁷

Because his knowledge relates to only one specific issue within the overall context of this investigation, information related to his interview can be found in the Areas of Concern section of this report addressing the "Frogman Case."

E. HEARINGS

March 16, 1998

The Committee held a public hearing on March 16, 1998 in order to receive testimony from the CIA IG, Frederick Hitz, on the first volume of the report on his investigation.¹⁴⁸ Additionally, Representatives Juanita Millender-McDonald and Maxine Waters presented testimony.

Ms. Millender-McDonald expressed concerns about the thoroughness of the IG investigation, the conclusions reached by the IG and the CIA's decision to keep some supporting documentation classified. She ended her statement questioning the ability of the CIA to investigate itself.¹⁴⁹

Representative Waters criticized the "failure of the Central Intelligence Agency to conduct a serious and thorough investigation into

¹⁴⁴ Id., pages 40-52.

¹⁴⁵ Id., pages 53-60.

¹⁴⁶ HPSCI interview with Lee Strickland (hereinafter, Strickland interview), January 21, 1999.

¹⁴⁷ HPSCI interview with Joseph Russoniello (hereafter, Russoniello interview), January 7, 1999.

¹⁴⁸ A complete transcript of the March 16 hearing can be found at Appendix K.

¹⁴⁹ March 16 hearing, page 28.

the allegations of CIA involvement in cocaine trafficking to fund its Contra War activities." She claimed that the report was "fraught with contradictions and illogical conclusions." She questioned whether the CIA IG investigation conducted interviews of all those with information, noting that even though the report claimed that the IG interviewed hundreds of individuals, only portions of a small number of selected interviews were presented. Waters concluded that the CIA IG report should be discounted in terms of its seriousness, and that it proved the CIA could not investigate itself.¹⁵⁰

CIA IG Hitz presented a summary of the findings of Volume I.¹⁵¹ After Hitz's opening statement, there was an extensive question and answer period. In answer to one question, Hitz stated that he had found instances where the CIA had not expeditiously cut off relations with individuals supporting the Contras who were alleged to have engaged in drug trafficking. In these cases, he indicated the allegations were not of trafficking drugs into the Los Angeles area and, thus, would be discussed fully in Volume II of his report.¹⁵²

May 25, 1999

On May 25, 1999, the Committee held its second hearing on this matter, specifically to receive testimony on Volume II of the CIA IG's report and the DOJ IG's report.¹⁵³ Appearing as witnesses were DOJ IG Michael R. Bromwich and CIA IG L. Britt Snider. Also present for questioning was former CIA IG Frederick Hitz, who had served as IG during the conduct of this inquiry and oversaw completion of the two-volume CIA IG report.

The Committee held this hearing in closed session to ensure that classified matters could be thoroughly discussed. The Committee wished to avoid the situation likely to occur in open session, in which a witness would be unable to respond fully to a question due to classification concerns. Thus, the Committee was able to review more thoroughly all relevant matters than would have been the case had the session been open to the public.

In the hearing, Bromwich summarized the findings of his report and explained the reasons for the delay in the public release of his report. The report had been completed in December 1997 but was not made public until July 1998 due to Attorney General Janet Reno's concerns regarding ongoing law enforcement activities that the report could compromise. Despite the delay, Bromwich emphasized that his report was ultimately released with no changes to the original.

Bromwich noted that his investigation focused on whether the Department had "properly and diligently prosecuted" individuals referenced in the *Mercury News* series, and whether these individuals received preferential treatment because of their ties to the Contras or pressure from the CIA. Bromwich further stated that his office did not probe the actions of the CIA except to the extent

¹⁵⁰ Id., page 38.

¹⁵¹ The Executive Summary, including the Findings, for Volume I is located at Appendix E.

¹⁵² March 16 hearing, page 77.

¹⁵³ HPSCI hearing; Allegations of CIA Involvement in Drug Trafficking (hereinafter, May 25 hearing), May 25, 1999.

they may have had an effect on the DOJ. The DOJ IG investigation involved the work of an extensive team of attorneys, investigators and support staff, lasted for 15 months, included more than 200 interviews and the review of more than 40,000 pages of documents from a variety of agencies and departments.

Bromwich stated that his inquiry concluded that the facts "did not substantiate the main allegations stated and implied in the *Mercury News* articles."¹⁵⁴ Moreover, he said, "We did not find support for the implication that the individuals discussed in the *Mercury News* articles were connected to the CIA, nor, with one exception, did we find that the CIA or any other national security entity interceded on their behalf."¹⁵⁵

The "one exception" noted by Mr. Bromwich is the "Frogman Case" involving the arrest of Julio Zavala, in San Francisco in 1983, on drug smuggling charges. Bromwich concluded that, in this instance, the CIA intervened in the prosecution of a drug trafficking case, urging that investigators not depose a potential witness in Costa Rica, out of a mistaken belief that the person scheduled to be deposed was a former CIA asset. Mr. Bromwich stated that his office, due to the "hazy and conflicting" recollections of the various participants, had been unable to determine with certainty what effect, if any, the CIA had on the subsequent decision by the U.S. Attorney's office not to depose the Nicaraguan. He stated he was, however, confident in concluding that the CIA's intervention did not influence the criminal prosecution of Zavala, who was convicted and sentenced to ten years in prison. In summary, Bromwich stated that he did not see "substantial difference" between his conclusions regarding the "Frogman Case" and those of the CIA IG (as discussed in Volume I of the IG report).¹⁵⁶

Bromwich also discussed his office's review of alleged irregularities in DOJ's treatment of Norwin Meneses, Danilo Bandon and Ricky Ross. Bromwich explained the complexities of DOJ's approach to Meneses whose drug-dealing activities had been investigated by FBI and DEA for many years. He noted the DEA's vacillation during this period as to whether Meneses should be considered a target or used as an informant. That said, Bromwich concluded that it was "hardly sinister" that DOJ never successfully prosecuted Meneses.¹⁵⁷

Bromwich then addressed the apparent disparity in the sentences received by Bandon and Ross, who claims he was only a "little fish" in the drug trade. After his arrest in 1995 and trial for attempting to sell 100 kilograms of cocaine to an undercover DEA officer, Ross received a life sentence under the "three strikes" statute, since he had two prior felony convictions.¹⁵⁸ Bandon's sentencing was, on the other hand, much more lenient. This was not, according to Bromwich, "a result of any alleged affiliation with the Contras or CIA."¹⁵⁹ Rather, Bandon's favored treatment was the result of his long-time cooperation with the DOJ as an informant.

¹⁵⁴ May 25 hearing, page 23.

¹⁵⁵ Id., page 23.

¹⁵⁶ See the Areas of Concern section of this report for the Committee's examination and conclusions about this incident.

¹⁵⁷ May 25 hearing, page 26.

¹⁵⁸ Bromwich advised that this sentence was under review and may be reduced.

¹⁵⁹ May 25 hearing, page 25.

The cooperation began in 1992 after Blandon's arrest on drug charges and was, Bromwich judged, properly considered in his sentencing:

Although we recognize the benefits received by Blandon were enormous, and although legitimate questions can be raised about whether his rewards were too large given the magnitude of his own narcotics trafficking, we found no basis to doubt the good faith of the sentencing judge who made this assessment. This case highlights the enormous power that prosecutors have to make such determinations which will apply to a broad range of cases extending well beyond those addressed in our report.¹⁶⁰

Overall, Bromwich concluded that the judicial process involving the illegal activities of the persons referenced in the news stories suffered from "normal dynamics that affect the investigations of drug dealers."¹⁶¹ He continued:

These factors include the availability of credible information, the ability to penetrate these organizations with informants, the availability of resources to pursue complex investigations, the communication and coordination between law enforcement entities, and the aggressiveness and judgments of law enforcement agents and prosecutors. Such factors, rather than anything as extraordinary as efforts by the CIA or others to protect the drug trafficking activities of these contra supporters, determined the outcome in the cases that we examined.¹⁶²

Bromwich also noted that some might point to Blandon's receipt of "legal permanent residence" status, also known as a "green card," as evidence of preferential treatment. Bromwich stated that his investigation found that Blandon's "green card" had been issued as a result of improper actions by an INS agent, and not because of any preferential treatment or by any pressure from other government agencies.¹⁶³

In his summary, Bromwich noted the concerns that his team had with the discrepancy of benefits provided to some who cooperate with government investigations but not to others.

The Committee then took testimony from Britt Snider, IG at CIA, in which he summarized the findings of Volume II of the IG report. Volume II focused on CIA's knowledge of alleged drug trafficking by the Contras or any persons or organizations who supported the Contras during the 1980's. Volume II was based upon a review of approximately 250,000 pages of CIA documents and 365 interviews.

Snider outlined the general conclusion of Volume II that "CIA was aware of drug trafficking allegations or information of varying degrees of specificity which involved one Contra organization, 30 Contra-related individuals, and 19 other people who were supporting the Contra program."¹⁶⁴ Snider continued:

¹⁶⁰ Id, page 30.

¹⁶¹ Id, page 32.

¹⁶² Id, page 32.

¹⁶³ See DOJ IG report, page 93.

¹⁶⁴ May 25 hearing, page 38.

The investigation found that this information was handled by Agency personnel in an inconsistent manner, sometimes appropriately, sometimes not appropriately, and that there was inadequate guidance provided Agency personnel regarding how they should handle this information. Having said that, the investigation also found, and I think this is crucial for the Committee to understand, no information to indicate that any CIA employee conspired with or assisted Contra-related organizations or individuals in drug trafficking activities, either to raise funds for the Contras or for any other purpose.¹⁶⁵

Snider outlined the process by which the IG team focused on 50 cases where it found that CIA had allegations or information alleging drug trafficking by Contra supporters or related individuals or organizations. The results, he said, "were mixed."¹⁶⁶

In some cases CIA immediately terminated contact with Contra-related personnel after receiving drug-related information. In other cases, upon receipt of a drug allegation, CIA employees attempted to pursue the allegation, either to the point of being able to clear the allegation, or else breaking off contact with the individual altogether. In still other cases, CIA employees did nothing to verify or disprove drug trafficking information, even when they had the opportunity to do so. In some of these, receipt of a drug allegation appeared to provoke no specific response, and business went on as usual.¹⁶⁷

Snider outlined several explanations for the "mixed" results, including a lack of guidance about CIA policies, and inadequate communication of existing guidance to the field.

He described events surrounding issuance, in 1982, of a revised MOU between the Attorney General and DCI regarding reporting of crimes information. This MOU has been interpreted by some to have been designed to hide the complicity of CIA agents in drug trafficking. Snider noted that the MOU did not require reporting of information pertaining to narcotics allegations about non-employees of the CIA, and at that time, agents, assets and independent contractors of the CIA were not defined as "employees" of the CIA. Snider noted in his testimony that the CIA was at the time encouraged to continue cooperation with DEA and DOJ in reporting on drug trafficking. The 1982 MOU was revised again in 1995, and now provides that assets and independent contractors are to be considered to be employees for the purpose of reporting information about criminal conduct, including narcotics violations. Snider asserted that CIA's IG inquiry found nothing to suggest that the revision to the MOU in 1982 was intended to protect activities of the Contras, noting that most allegations that had been received about possible drug-related activity and the Contras were received after that MOU was issued.

With regard to CIA's internal policies and regulations, Snider outlined the IG's findings that: CIA regulations and policies did not address questions about drug allegations relating to assets, con-

¹⁶⁵ Id., pages 38-39.

¹⁶⁶ Id., page 39.

¹⁶⁷ Id., pages 30-40.

tractors or other individuals not involved in counternarcotics operations; CIA had no regulations or policies advising employees of procedures for reporting to, or following up with, other government agencies regarding drug trafficking allegations; and, applicable CIA policy was not well communicated to employees.

[W]hile we found no evidence that any CIA employees involved in the Contra program had participated in drug-related activities or had conspired with others in such activities, we found that the Agency did not deal with Contra-related drug trafficking allegations and information in a consistent, reasoned or justifiable manner. In the end, the objective of unseating the Sandinistas appears to have taken precedence over dealing properly with potentially serious allegations against those with whom the Agency was working.¹⁶⁸

In response to questioning, Snider assured the Committee that, subsequent to the issuance of the IG's report, CIA issued new regulations setting out the policies for vetting information relating to criminal conduct, including narcotics trafficking. He asserted that the "policies are now clear."¹⁶⁹

AREAS OF CONCERN

The Committee focused its attention on the allegations of greatest concern and on issues that did not appear to have been settled by previous investigations. These include the following three areas:

- The CIA's involvement in the "Frogman Case."
- The relationship between Danilo Blandon and Ricky Ross, specifically concerning how law enforcement entities handled their cases.
- The CIA's reporting guidelines and requirements related to drug trafficking during this period, specifically surrounding the 1982 MOU between CIA and DOJ.

A. THE "FROGMAN CASE"

In January 1983, federal law enforcement officials in San Francisco made a series of arrests and seized hundreds of pounds of cocaine and hundreds of thousands of dollars in an attempt to wrap up a drug organization there. Because twelve of the individuals were arrested in wetsuits swimming cocaine ashore from a Colombian freighter in San Francisco Bay, the case became known as the "Frogman Case."

Of the more than fifty individuals arrested, two—Carlos Cabezas and Julio Zavala—claimed an association with the Contras.¹⁷⁰ Cabezas claimed that his drug trafficking was directly related to supporting the Contras. His claim was largely based on claimed association with an "Ivan Gomez." "Ivan Gomez" was an alias used by a CIA independent contractor operating in Costa Rica from June 1982 to March 1988. Cabezas charged that Gomez was a CIA agent involved in helping the Contra force raise funds by trafficking co-

¹⁶⁸ Id., page 45.

¹⁶⁹ Id., page 57.

¹⁷⁰ It is important to note that neither of them ever claimed any CIA connection.

caine to the United States. Cabezas' assertions are not corroborated, and Cabezas could not accurately identify "Gomez" when given an opportunity to do so.

"Ivan Gomez" did, however, claim, during CIA administered polygraphs, that he had been involved in his brother's drug trafficking operation in March or April of 1982, prior to his contracting with the CIA. Gomez's answers to questions concerning drug trafficking were unclear and contradictory in the multiple tests he was given, so his employment was terminated by the CIA. No evidence suggests that the drug trafficking and money laundering operations in which Gomez claimed involvement were in any way related to CIA or the Contra movement.

Julio Zavala claimed that he was a member of a Contra organization based in Costa Rica. Neither the Committee nor the various other investigations have been able to substantiate this claim.

Two Contra leaders, Francisco Aviles Saenz and Vincente Rappaccioli of the Costa Rican-based Conservative Party of Nicaraguans in Exile, or PCNE, did sign documents to support Zavala's claim that \$45,000 of the money seized from Zavala was intended to "promote the reinstatement of democracy in Nicaragua" and did not come from drug sales.¹⁷¹ This claim cannot be verified, and there is information that would suggest these documents were done as a favor to Zavala's wife, Doris Solomon, who did have ties to the Contras.¹⁷² Zavala's defense attorney used these documents in filing a motion to depose Aviles and Rappaccioli in Costa Rica. Although the court granted permission for the depositions, the U.S. Attorney's office later canceled the trip and returned the money that purportedly belonged to the Contras.¹⁷³

The matters of concern to the Committee relate to the actions taken by the CIA's OGC to encourage the U.S. Attorney's office not to depose Rappaccioli. These concerns go to the CIA's motives, the propriety of its actions, and the effect of those actions on the prosecution of Zavala.

The CIA first learned of the planned deposition of Rappaccioli when a State Department official notified the senior CIA official concerned with Costa Rica about the planned trip by Assistant U.S. Attorney (AUSA) Mark Zanides and Zavala's attorney. The CIA mistakenly identified Rappaccioli as a former LA Division station asset and advised CIA headquarters of the potential damage to the Contras and the CIA should there be "uncoordinated activity" in the handling of the matter.

In responding to this development, the CIA's OGC assigned one of its attorneys, Lee Strickland, to the case. In his interviews with the Committee and the IGs, Strickland's recollections of the case were not sharp. As Strickland explained,¹⁷⁴ his workload was ex-

¹⁷¹ Although Organized Crime and Drug Enforcement Task Force agents reported seizing only \$36,000, Zavala claims that they seized \$65,000, of which \$45,000 was Contra money and \$20,000 was his own. Zavala never filed a formal complaint regarding the alleged missing money.

¹⁷² See the DoJ IG report, beginning on p. 287.

¹⁷³ See the DoJ IG report, beginning on p. 305.

¹⁷⁴ HPSCI interview with Lee Strickland (hereinafter, Strickland interview), January 21, 1999.

tensive and the procedures followed were fairly standard and, thus, would not stand out in his memory.¹⁷⁵

Although Strickland does not recall specific conversations with AUSA Zanides, he does not refute the evidence indicating they took place. Strickland indicated that it would be normal in a case such as this for him to make an initial inquiry to the AUSA, by telephone, without going into details. He stated that a follow-up trip to meet with the AUSA would be standard practice and that he would have probably provided a cursory description of the CIA's concerns. He indicated that, had the AUSA had a problem with the situation, he (Strickland) would have indicated so in his records. As it was, based on his notation of "case closed" and his initials on the case file, combined with the telegraphic cable that he drafted for transmission to an LA Division station that included references to the AUSA's being "most deferential to our interests," he assumes that his intervention was a decisive factor in the decision not to take the depositions.¹⁷⁶

That said, Strickland cannot remember any specifics of a conversation with Zanides and does not recollect ever meeting U.S. Attorney Joseph Russoniello. Other available information does not support Strickland's assumption that his intervention was decisive in the decision not to depose Rappacciolli. Indeed, Russoniello, in an interview with the Committee, also stated that he did not recall ever meeting with Strickland and does not believe that he was ever advised of any CIA interest in the "Frogman Case."¹⁷⁷ He was emphatic that the decision not to take the deposition in Costa Rica and to return the seized money was purely economic.

CIA records indicate clearly that the CIA did attempt to influence the decision of the U.S. Attorney's office concerning the deposition of Rappacciolli. This effort, however, was not undertaken in an effort to protect Zavala or hinder his criminal prosecution. Rather, the CIA's motives appear to have been to understand the details of the case against Zavala and to protect intelligence equities with no known connection to criminal activity.

The Committee believes the CIA's OGC should interact with the DOJ and U.S. Attorney's offices when prosecutions may lead to the compromise of intelligence equities. This is part of the process that the government must engage in to balance criminal justice prosecutions with appropriate protection of an intelligence source or operation. In this case, the OGC's contact with the office of the U.S. Attorney appears to have been appropriate, based on CIA's belief that Rappacciolli was a former CIA asset.

It does not appear that the CIA's intervention materially affected the U.S. Attorney's decision not to depose Rappacciolli in Costa Rica. Zavala was successfully prosecuted and convicted, and received a sentence of ten years for his drug trafficking. The Com-

¹⁷⁵ In this regard, the DoJ IG interview with a CIA employee, "Ms. Jones," (page 297 of the report) is instructive. "Ms. Jones," who is identified by this alias in the report due to her status as an undercover employee of the CIA, described the relevant process in place during this period. The CIA's Policy Coordination Staff oversaw such activities. Ms. Jones indicated that in such cases the Agency would: (1) investigate the allegations concerning the asset; (2) determine what, if any, CIA equities were at stake; (3) determine what action to protect the equities might be necessary; and (4) contact the DoJ or the appropriate U.S. Attorney's office to discuss potential courses of action.

¹⁷⁶ Strickland interview, page 4.

¹⁷⁷ Russoniello interview, page 3.

mittee concludes, as did the CIA and the DOJ IGs, that the CIA's efforts were not meant to, and did not, influence the outcome of the prosecution.

Although the CIA's actions in this case appear to have been appropriate, the Committee reviewed current CIA policies, procedures and practices on how the CIA interacts with DOJ when a judicial investigation or procedure may have ramifications for CIA activities. The Committee concluded that these procedures have been refined and expanded over the last decade and the CIA's ability to have an impact on criminal prosecutions is properly defined and circumscribed.

B. DANILO BLANDON AND RICKY ROSS

Although concerns about apparent inequities between the treatment accorded Danilo Blandon and Ricky Ross by the DOJ falls outside this Committee's jurisdiction, the Committee sought to assure itself that those apparent inequities did not result from an association by Blandon with the CIA or any type of CIA interference in either case. The Committee's investigation, consistent with the findings of the other investigations, found no evidence that the CIA had anything to do with the apparent disparate treatment.

Blandon was sympathetic to the Contra movement and active in the FDN organization. His Contra affiliation appears not to have been linked with his drug trafficking; rather, his motivations in supporting the FDN were ideological and also based on long-standing family ties in Nicaragua. There is no evidence that Blandon ever had a relationship with the CIA.

The Committee, having independently examined Blandon's history, concurs in the DOJ IG's conclusion that Blandon's lenient treatment at the hands of prosecutors and judges is explained by the law enforcement community's, especially the DEA's, assessment of his value as an informant. Nevertheless, the Committee believes the question of leniency for government informants should be a matter of concern for the Attorney General and those committees of Congress with jurisdiction over the U.S. criminal justice system. The procedures governing the use of informants should be balanced as well as be rigorously monitored. The Committee's concern about this issue was heightened by the decision of the Attorney General to delay the public release of the DOJ IG report until undefined law enforcement operations, presumably involving Blandon, were completed. As public reaction to the "Dark Alliance" series has shown, an apparent willingness by the law enforcement community to minimize the punishment of its informants can result in public skepticism about the basic fairness and honesty of the criminal justice system.

C. REPORTING GUIDELINES AND REQUIREMENTS

The Committee reviewed the CIA's 1980's-era guidelines for reporting information on drug trafficking, and what was actually reported, to understand the CIA's limited role in reporting narcotics trafficking in Latin America and the threat that it posed to the United States. The Committee found that CIA, consistent with its guidance received from policymakers at the time, reported primarily on specific individuals and organizations that were directly

or indirectly involved with the Contras or the CIA's covert action, and reported very little on the shipping of drugs or on the industry itself.

Under those guidelines, CIA reported both "foreign intelligence" (FI) and "vetting" or counterintelligence (CI) information, on those involved, or potentially involved, in the Contras or the covert action. The distinction between FI and CI information goes to the root of the reporting guidelines.

The CIA collects and reports FI throughout the world. This term covers information on a foreign individual, group, event, nation or state for the purposes of understanding and analyzing activities that may affect national security. Such reporting can be related to economics, the military, politics, personalities or a variety of additional subjects. Collection of FI is governed by requirements that are prioritized so that the information collected by officers in the field and sent to CIA headquarters reflects the needs of analysts and the demands of policymakers. That said, in some cases, an officer may collect and report information that is not a priority because he may believe it is important despite it not being responsive to a requirement currently on the priority list.

Counterintelligence information is frequently reported as part of the "vetting" process or concerning an individual who has some association with the CIA or its operations. This type of reporting can be about someone the CIA may want to contact or recruit, or it can pertain to an established agent or asset. In some cases, the reporting is meant to supply additional information on someone whose bona fides have come into question because of allegations of wrongdoing or because of his activities or associations. Such information may have to be forwarded to the DOJ under guidelines for the mandatory reporting of crimes.

Central to the logic of the "Dark Alliance" series is a belief in guilt by association. First, there is the association of drug traffickers with the Contras. Then there is the association of the Contras with the CIA. From this, the series implies that CIA condoned the trafficking of drugs. Therefore, the key questions are what the CIA knew, what it reported to DOJ, and whether that reporting met, in full, the requirements under all relevant guidelines.

The first question is what CIA knew. Volume II of the CIA IG report explains in detail the knowledge the CIA had that some Contras had been, were alleged to be or were in fact involved or somehow associated with drug trafficking or drug traffickers. The reporting of possible connections between drug trafficking and the Southern Front Contra organizations is particularly extensive.

The second question is what the CIA reported to DOJ. The Committee was concerned about the CIA's record in reporting and following up on allegations of drug activity during this period. The Committee also examined carefully the handoff of information from the CIA to appropriate law enforcement entities in Washington and the field. In many cases, it is clear the information was reported from the field, but it is less clear what happened to the information after it arrived at CIA headquarters.

Narcotics trafficking today is arguably our most important national security concern in Latin America, and this fact is now reflected in the CIA's extensive involvement in counternarcotics ac-

tivities there. This was not the case during the Contra insurgency, and the CIA's counternarcotics reporting record from that time is mixed at best.

The Committee interviewed several individuals who served in Latin America as chiefs of station during the 1980's. They all personally deplored the use and trafficking of drugs, but indicated that in the 1980's the counternarcotics mission did not have as high a priority as the missions of reporting on and fighting against communist insurrections and supporting struggling democratic movements. Indeed, most of those interviewed indicated that they were, effectively speaking, operating in a war zone and were totally engaged in keeping U.S. allies from being overwhelmed. In this environment, what reporting the CIA did do on narcotics was often based on one of two considerations: either a general understanding that the CIA should report on criminal activities so that law enforcement agencies could follow up on them, or, in case of the Contras, an effort to monitor allegations of trafficking that, if true, could undermine the legitimacy of the Contras cause. The net result was that, although the reporting of narcotics related information could have been more extensive, especially to Congress, the Committee found no evidence of an attempt to "cover up" such information.

The Committee's review of CIA files pertaining to the Contras revealed many examples of the CIA's concern about drug trafficking. There were many telegraphic messages between Latin American stations and CIA headquarters noting drug-related allegations. There were also frequent messages to stations advising them to avoid contact with suspected traffickers or to handle them with extreme caution until further information was obtained.

Today, CIA's vetting process for CIA assets has improved and decisions concerning the use of assets with possible involvement in criminal activities are reviewed at higher levels of the organization. This does not mean that additional improvements cannot be made. For example, the Committee notes that although as a matter of policy the vetting process for assets includes records checks with the FBI, the policy does not automatically include checks with DEA or Customs. This is an area that the Committee intends to pursue.

The third question is whether CIA reporting to DOJ satisfied relevant guidelines. The Committee has determined that the CIA's internal guidelines in the 1980s were poorly understood by its officers in the field. Most of the officers interviewed by the Committee were unaware of any specific written policy, although they assumed that one must have existed. One officer recollected that his informal guidance was that if he heard anything about drugs, he was to report it up his chain of command to his chief of station who then would decide how to handle it. Several chiefs of station could not recall specific guidance, but said that they would always report narcotics information to headquarters because "it was just something that you knew to do." Sometimes this was done immediately, without further checking, but on other occasions there were efforts first to confirm the information. As one chief of station explained, there was sometimes a reluctance to report rumors since the result was that the subjects of the rumors and their whole families would end up being on watchlists by the DEA, resulting in their being

blocked from ever visiting the U.S. "My criterion was, look, let's send the information forward, but in fairness to the people involved...let's be certain that we have credible information."¹⁷⁸

At CIA headquarters, reporting of narcotics-related allegations to the DOJ did not appear to be consistent during this period. The CIA's Directorate of Operations tried to work on the principle that management decisions should be made at the lowest possible level, with information sent up the "chain to command" when necessary so that more senior personnel were in a position to make an informed decision. Clair George, the Deputy Director for Operations from 1984 to 1987, indicated that he wanted decisions referred to him only when those working below him could not resolve them.¹⁷⁹ As he noted, although the war in Nicaragua was extremely important, it was by no means the only high-priority issue facing the CIA or its Directorate of Operations.¹⁸⁰ The Committee believes the CIA should have had a more standardized procedure for the handling and reporting of narcotics-related allegations during the period in question. Such a procedure is in effect today.

The mechanism for reporting allegations of drug-related crimes by assets was revised in 1995 to again require notification to the DOJ. Furthermore, the interaction between the CIA and elements of the DOJ, from the sharing of information to support overseas, has never been better. Moreover, the process by which Congress is notified by CIA of significant issues was substantially revised in the mid-1990's resulting in notifications that are more detailed and more timely than was the case previously.

D. THE 1982 MEMORANDUM OF UNDERSTANDING

A central issue relating to CIA reporting requirements is the 1982 MOU between the DCI and the Attorney General. This MOU is significant because it delineated the requirement that CIA report possible violations of federal law—including those associated with drugs and drug trafficking—by its "employees" to the DOJ. In a change from the preceding MOU on the reporting of possible crimes, the 1982 MOU removed assets, agents and independent contractors from the definition of "employees." Possible violations of narcotics laws were only required to be reported if they concerned employees. A letter from the Attorney General to the DCI, however, urged the CIA to continue to cooperate with the DOJ and DEA. Thus, there appeared to be no formal requirement for the CIA to report possible violations of federal narcotics law committed by an asset during the period covered by the 1982 MOU. Given the relationship of some Contras to the CIA, the Committee believed that it was important to explore the background associated with the 1982 MOU in order to determine whether there were specific reasons for this policy. The Committee began with a review of the history as reported in the CIA IG report:

From August 15, 1979 to March 2, 1982, Attorney General Guidelines issued under Executive Order 12036 required CIA to report to Department of Justice possible vio-

¹⁷⁸ McCavitt interview, page 5.

¹⁷⁹ George interview, page 10.

¹⁸⁰ Id, page 11.

lations of "any" federal laws—thereby including narcotics laws—by persons who were employed by, assigned to, or acting for the CIA. The definition of "employee" in the Guidelines included assets, agents and independent contractors. Reporting of possible violations of federal laws by non-employees was limited to a specific list of offenses that did not include narcotics violations.

From March 2, 1982 to August 3, 1995, a Memorandum of Understanding (MOU) between the Attorney General and the DCI under Executive Order 12333 governed reporting of potential crimes. That MOU continued to require CIA to report to DOJ possible violations of "any" federal laws—again thereby including narcotics laws—by CIA employees. However, because of a change in the definition of "employee," agents, assets and independent contractors were moved to the non-employee category and thereby subject to a list of reportable offenses that did not include narcotics violations. The MOU provided that CIA would continue to have the discretion to report any offense by a non-employee to DOJ in addition to the potential crimes that were specified in the MOU.

A February 11, 1982 letter from Attorney General William French Smith to DCI William Casey that accompanied the MOU noted that the MOU contained no formal requirement regarding the reporting of narcotics violations by non-employees and urged the CIA's continuing cooperation with DOJ and the Drug Enforcement Administration. This letter did not, however, establish a legal requirement that the CIA report potential narcotics violations by non-employees because no such requirement was included in the MOU. . . .

There was no CIA-wide regulation explaining the crimes reporting responsibilities of CIA employees under E.O. 12333 and the DOJ-CIA MOU until December 23, 1987.

In August 1995, the 1982 DOJ-CIA Crimes Reporting MOU was revised. Under the revised MOU, assets and independent contractors were again considered "employees" for crimes reporting purposes. Further, narcotics violations were included among the list of "non-employee" crimes that must be reported to the DOJ.¹⁸¹

The Committee concurs with the assessment of the CIA IG that the CIA regulations and policies in effect during the existence of the Contra program did not adequately address the range of drug trafficking matters facing CIA managers and personnel serving in Central America in the 1979-1990 period. With respect to the Contra program, the CIA's regulations and policies did not provide sufficient guidance or procedures for reporting and investigating narcotics trafficking matters:

- The CIA had no regulations or policies regarding the CIA's responsibilities to identify and pursue allegations or

¹⁸¹ Volume II, pages 9-10.

information indicating that organizations or individuals were involved in drug trafficking;

- The CIA had no published regulations or policies that addressed CIA employees' contacts with individuals or companies that were known or suspected to have been involved in drug trafficking, unless they were part of a counternarcotics operation or program; and

- The CIA had no regulations or policies that required that information be requested from DEA, the Customs Service, or U.S. Government law enforcement agencies, other than the FBI, regarding individuals or entities about whom the CIA had knowledge of drug allegations or drug-related information.

In interviews with CIA managers and field officers who served in the Contra program, the Committee found that the unwritten policy appears to have been that the CIA should have no official or unofficial relationship with individuals associated with narcotics trafficking. Despite the lack of CIA written regulations or policies on the reporting of drug trafficking allegations, these CIA managers and field officers consistently indicated that such allegations—when they arose—were reported from the field to CIA's OGC where a decision was presumably made about whether to provide the information to DOJ for investigation. These CIA managers and field officers uniformly noted that any actual links between the Contra program and narcotics trafficking would destroy the program's political support. Several senior CIA managers could recollect only a single instance of a report of narco-trafficking by Contra officials during the term of the Contra assistance program. This report concerned Contra leaders in Costa Rica, and, based on these reports, CIA program managers severed U.S. support to this Contra faction. In fact, however, as described in Volume II of the CIA IG report, under various circumstances, the CIA made use of or maintained relationships with a number of individuals associated with the Contras or the Contra-supply effort about whom the CIA had knowledge of information or allegations indicating the individuals had been involved in drug trafficking.

Based on this review, the Committee is able to address with some confidence the three key questions about CIA information, reporting and compliance with reporting requirements concerning the involvement by Contras in narcotics trafficking. CIA reporting to DOJ of information on Contra involvement in narcotics trafficking was inconsistent but in compliance with then-current policies and regulations. There is no evidence, however, that CIA officers in the field or at headquarters ever concealed narcotics trafficking information or allegations involving the Contras.

This leaves open the question of why the 1982 MOU was written in such a way as to exclude agents, assets and independent contractors from the definition of "employees." Likewise, there are unanswered questions about the February 11, 1982 letter from the Attorney General.¹⁸² The letter raises the question of whether "non-employees" (which included agents, assets and independent contractors as redefined in the MOU) were subject to the MOU

¹⁸² Volume II, Exhibit 3.

narcotics reporting provisions, and encourages the DCI to continue to report non-employee narcotics violations even in the absence of a requirement to do so. It is likely that the letter memorializes discussions between DCI Casey and Attorney General Smith on this subject, but the Committee could find no record relating to those discussions.

FINDINGS

A. INTRODUCTION

Allegations of drug trafficking by individuals within the Contra movement were not new on August 18, 1996, the publication date of the first of the "Dark Alliance" series; neither were allegations that the CIA was witting of or complicit in drug trafficking. Yet, the *Mercury News* articles brought these allegations into sharp focus and galvanized public opinion. The articles left readers with the impression that the CIA was responsible for the spread of cocaine in South Central Los Angeles and for the explosion of crack in the United States as a whole.¹⁸³ For some looking for the causes of the ravages of drug traffickers, the allegations struck a responsive chord.

The Committee believed that it needed to examine the charges raised by the *San Jose Mercury News* thoroughly and objectively. The Committee devoted considerable resources to its effort to evaluate the allegations and share its findings with the American people.

B. FINDINGS

Finding One: The Committee found no evidence to support the Mercury News allegations that CIA agents or assets associated with the Contra movement were involved in the supply or sale of drugs in the Los Angeles area.

Finding Two: The Committee found no evidence to support the allegations that Norwin Meneses, Danilo Blandon or Ricky Ross were CIA agents or assets whose drug trafficking was intended to further the cause of the Contras. Although Norwin Meneses and Danilo Blandon were sympathetic to the Contras, and were trafficking in narcotics, they were not associated with the CIA. Further, Meneses' and Blandon's support of the local FDN organization in San Francisco was not directed by anyone within the Contra movement who had an association with the CIA. Finally, there is no evidence to support the claims of Gary Webb that drug traffickers such as Ronald Lister, Carlos Cabezas, and Julio Zavala were associated with the CIA.

¹⁸³ Prior to the *San Jose Mercury News* significantly changing the opening of the "Dark Alliance" series on its website, its executive editor, Jerry Ceppos, claimed in an apology to the newspaper's readers that the articles "never reported direct CIA involvement, although many readers drew that conclusion" (See Appendix B). Up to that point, the series began with the sentence, "For the better part of a decade, a Bay Area drug ring sold tons of cocaine to the Crips and Bloods street gangs of Los Angeles and funneled millions in drug profits to a Latin American guerrilla army run by the U.S. Central Intelligence Agency." Interestingly, Gary Webb, at least, did not argue that the articles were simply guilty of letting readers draw the wrong implications. In a comment he posted on the *Mercury News* electronic bulletin board he said that arguing that there is no proof of CIA involvement in the spread of crack cocaine in Los Angeles is like saying "there's no proof of General Motors involvement in making Chevrolets." He also approved the joke that CIA really stands for "Crack in America."

Finding Three: The Committee found no evidence to support allegations that employees of the CIA engaged in narcotics trafficking in the Los Angeles area.

Finding Four: The Committee found no evidence that any other U.S. intelligence agency or agency employee was involved in the illegal supply or sale of drugs in the Los Angeles area.

Finding Five: One Contra faction, the Southern Front, did receive support from individuals who were engaged in drug trafficking from Central America to the United States. Certain Southern Front organizations apparently accepted support from drug traffickers knowingly, particularly when their support from the CIA ended.

Finding Six: The CIA as an institution did not approve of connections between Contras and drug traffickers, and, indeed, Contras were discouraged from involvement with traffickers. Also, CIA officers, on occasion, notified law enforcement entities when they became aware of allegations concerning the identities or activities of drug traffickers.

*Finding Seven: In the case most relevant to the "Dark Alliance" series, it appears that the support Blandon and Meneses gave the FDN chapter in San Francisco was financed from illegal drug proceeds since this was their main source of income. Nevertheless, their support was limited (reportedly between \$30,000 and \$50,000) and was not sufficient to finance the organization. The support to the Contras provided by Meneses and Blandon did not consist of "millions" to the Contras, as alleged in the *Mercury News*. As noted earlier, the Committee finds no evidence that the CIA or the Intelligence Community was aware of these individuals' support of the Contras.¹⁸⁴*

¹⁸⁴ The question of the extent of FDN awareness that the assistance provided by Blandon and Meneses came from drug profits is unresolved. The Committee was not able to develop information concerning the FDN chapters in the Los Angeles area; however, there is unambiguous reporting in the CIA materials reviewed showing that the FDN leadership in Nicaragua would not accept drug monies and would remove from its ranks those who had involvement in drug trafficking. Adolfo Calero, the head of the FDN, was acutely aware that his credibility with the Nicaraguan people would be severely damaged by association with the drug trade.